



# **THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK**

## **GROUP AND PCC STATEMENT OF ACCOUNTS**

**31 March 2017**

**Statement of Accounts**  
**for the year ended 31 March 2017**

<b>Contents</b>	<b>page</b>
<b>Auditor's Report to the PCC for Suffolk .....</b>	<b>1</b>
<b>Statement of Responsibilities for the Statement of Accounts .....</b>	<b>4</b>
<b>Narrative Report .....</b>	<b>5</b>
<b>Financial Statements:</b>	
<b>Comprehensive Income and Expenditure Statement (CIES).....</b>	<b>17</b>
<b>Balance Sheet.....</b>	<b>19</b>
<b>Movement in Reserves Statement.....</b>	<b>21</b>
<b>Cash Flow Statement .....</b>	<b>23</b>
<b>Expenditure and Funding Analysis.....</b>	<b>25</b>
<b>Notes to the Financial Statements .....</b>	<b>27</b>
<b>Police Pension Fund Accounting Statements .....</b>	<b>92</b>
<b>Glossary of Terms .....</b>	<b>93</b>

# **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK**

## **Opinion on the Police and Crime Commissioner for Suffolk's financial statements**

We have audited the financial statements of the Police and Crime Commissioner for Suffolk for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Suffolk and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Suffolk and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Suffolk and Group Balance Sheet;
- Police and Crime Commissioner for Suffolk and Group Cash Flow Statement;
- Related notes 1 to 36; and
- Police and Crime Commissioner for Suffolk Pension Fund Account Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the Police and Crime Commissioner for Suffolk in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Suffolk, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Suffolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Suffolk and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## **Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Police and Crime Commissioner's responsibilities***

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### ***Auditor's responsibilities***

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the PCC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the

PCC had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Suffolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certificate**

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Suffolk in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

22 September 2017

*The maintenance and integrity of the Police & Crime Commissioner of Suffolk's Constabulary web site is the responsibility of the Police & Crime Commissioner of Suffolk; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

# Statement of Responsibilities for the Statement of Accounts

## The Police and Crime Commissioner for Suffolk (PCC for Suffolk) Responsibilities

The PCC for Suffolk must:

- Arrange for the proper administration of the PCC Suffolk's financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer (CFO PCC).
- Manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.
- Ensure that there is an adequate Annual Governance Statement

I approve the following Statement of Accounts:

**T Passmore**  
Police and Crime Commissioner for Suffolk

22 September 2017

## The Chief Financial Officer of the PCC (CFO PCC) for Suffolk Responsibilities

The CFO PCC is responsible for preparing the Statement of Accounts for the PCC for Suffolk in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards ("the code").

In preparing this statement of accounts, the CFO PCC has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice and its application to local authority accounting.

The CFO PCC has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate by Chief Financial Officer of the PCC for Suffolk

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the PCC for Suffolk at 31 March 2017, and its income and expenditure for the year to that date.

**C Bland CPFA**

22 September 2017

# Narrative Report

## Introduction

This Narrative Report provides information about the Office of the Police and Crime Commissioner for Suffolk, and Suffolk Constabulary (together being the PCC Group), including the key issues affecting the Group and its accounts. It also provides a summary of the financial position at 31 March 2017, and is structured as below:

1. The policing context for Suffolk
2. Impact of the governance arrangements on the financial statements of the PCC and Chief Constable
3. Explanation of the financial statements
4. The 2016/17 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Looking forward

### 1. The policing context for Suffolk

#### Information about the Office of the Police and Crime Commissioner for Suffolk

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Suffolk (PCC) and the Chief Constable (CC) of Suffolk Constabulary were established as separate legal entities. Corporate governance arrangements for the PCC and CC have been reviewed and a commentary on their effectiveness is set out in their Annual Governance Statements which are published alongside these Statements of Accounts.

The responsibilities of the PCC, determined by the Act, include:

- Publishing a Police and Crime Plan
- Holding the Chief Constable to account for the running of the force
- Agreeing the police budget for the year and the level of the precept
- Working with partner organisations e.g. criminal justice agencies and building on collaboration arrangements with other organisations
- Publishing an Annual Report setting out progress against strategic priorities in the Police and Crime Plan

For accounting purposes, the PCC for Suffolk is the parent entity of the CC of Suffolk and together they form the PCC for Suffolk Group for accounting purposes.

Tim Passmore was originally elected in 2012 as the Police and Crime Commissioner (PCC) for Suffolk, and was subsequently re-elected in May 2016, and has responsibility for setting the Revenue Budget and Capital Programme for 2016/17. The Revenue Budget and Capital Programme for 2016/17 were approved by the PCC in February 2016.

The PCC is held to account by the Police and Crime Panel, which scrutinises the actions and decisions of the Commissioner. Formal public meetings between the PCC and the Chief Constable are held every two months. An independent Audit Committee has also been established in accordance with recommendations from the Home Office and CIPFA.

## The County of Suffolk

Suffolk is a rural county of eastern England with a land area of 1,466 square miles. Located about 60 miles north east of London, it is bordered by Norfolk to the north, Cambridgeshire to the west and Essex to the south. The North Sea marks the eastern border of the county.

(See Figure 1 - Principal police stations are marked in blue).



## Geography and infrastructure

Ipswich is the largest town and is the major economic, social and cultural hub of the county. Lowestoft, Bury St. Edmunds, Newmarket and Felixstowe also present specific policing needs related to the nature of their industries, such as tourism in Lowestoft, the horse racing industry in Newmarket and Britain's biggest and busiest seaport in Felixstowe.

Suffolk Constabulary polices a population of over 740,000 residents<sup>1</sup>. The county's population has grown by 9.8% over the last 14 years<sup>2</sup> and is expected to rise over the next five years to an estimated 780,000 residents<sup>3</sup>. The Suffolk population is projected to age over the next few years. By 2021 persons aged 45 years and over are expected to form over 50% of the population, compared to around 47% in 2012<sup>2</sup>. The proportion of minority ethnic communities in Suffolk has risen from 2.8% in 2001 to 4.8% in 2011<sup>4</sup>, with the greatest proportions in Ipswich and Forest Heath<sup>5</sup>. The Constabulary continues to respond to the changing nature of Suffolk's population by ensuring

<sup>1</sup> ONS 2015 mid year population estimate

<http://www.suffolkobservatory.info/IAS/profiles/profile?profileId=34&geoTypeId=14&geoIds=42#iasProfileSection2>

<sup>2</sup> ONS census data 2001 - 2015

<sup>3</sup> Population Profile of Suffolk County <http://www.healthysuffolk.org.uk/assets/JSNA/PH-reports/Population-Profile-of-Suffolk-County-April-2014.pdf>

<sup>4</sup> Suffolk demographic profile

<http://www.suffolk.gov.uk/assets/suffolk.gov.uk/Your%20Council/Plans%20and%20Policies/Equality%20and%20Diversity/2014-12-09%20Suffolk%20Diversity%20Profile.pdf>

<sup>5</sup> Suffolk County Council 2011 Census Briefing Paper – Ethnicity

<http://www.suffolkobservatory.info/JSNASection.aspx?Section=93&AreaBased=False>



policies take account of equality and diversity.

Suffolk contains several sites of policing significance including: The Port of Felixstowe, British Telecom Research and Development facility, two US Air Force Bases and Sizewell B nuclear power station. The process to decommission Sizewell A is ongoing, whilst the agreement to develop Sizewell C would bring additional demands in terms of a temporary increase to the local population as well as the continuance of routine policing.

The transport infrastructure includes direct train routes to London from various stations in the county. The A14, A12 and A11 are key roads that require specialist roads policing to ensure key arterial routes continue to flow.

Tourism plays a key role in the economy of Suffolk. In 2011 tourism was worth £1.084 billion to the economy and provided nearly 30,000 jobs. By 2016, the value of tourism increased to £1.85 billion and there were 38,369 associated jobs.<sup>6</sup>

Ipswich Town Football Club also creates a policing demand met through the deployment of appropriately trained officers and staff drawn from across the county for those matches which are assessed to require a police presence. A range of other events across the county also creates additional demands for service such as the Suffolk Show, the Latitude Music Festival and the Newmarket Races.

More than 83,000 people in Suffolk live in income deprivation at the most minimal standard provided by welfare benefits, an increase of around 5,000 people between 2011 and 2016<sup>7</sup>. Areas of deprivation are generally clustered around the main towns of Ipswich and Lowestoft. However, there are also some deprived areas in the rural parts of east Suffolk, although these are related more to poor access to services rather than to poverty<sup>8</sup>.

Suffolk remains relatively affluent however has areas which are identified on the English Indices of Deprivation 2015 (ID 2015) which measure deprivation in seven main dimensions: income; employment; health and disability; education, skills and training; barriers to housing and services; crime; and living environment. Deprivation in much of Suffolk remains low, representing the 52<sup>nd</sup> least deprived authority in England (out of 152)<sup>9</sup> however the county has become *relatively* more deprived since 2010 with more areas in Suffolk now within the 20% and 40% most deprived in England. The most noticeable increase in deprivation occurred in skills and training, crime, and housing.

### **Strategic assessment and changing demand**

The strategic assessment is an analysis of the short and medium-term local and national policing contexts. Its principal purpose is to guide strategic planning, including the creation and prioritisation of projects, resources and budget setting. Last published in October 2016, it uses the MoRiLE (Management of Risk in Law Enforcement) process to score Threat, Risk and Harm areas which inform the priorities set out in the Joint Control Strategy and by extension the strategic work streams across the organisation:

- Child Sexual Abuse (including CSE)
- Domestic Abuse
- Drugs Supply
- Harmful Personal Acquisitive Crime
- Hate Crime
- Honour Based Abuse
- Killed and Seriously Injured RTCs
- Modern Day Slavery
- Serious Sexual Offences
- Violence With Injury
- Cyber Crime

---

<sup>6</sup> <https://jameskennell.com/2016/03/15/tourism-and-economic-development-in-suffolk/>

<sup>7</sup> <http://suffolkecf.s3.amazonaws.com/wp-content/uploads/2013/11/Hidden-Needs-Report.pdf>

<sup>8</sup> Deprivation in Suffolk – Health and Wellbeing Suffolk Joint Strategic Needs Assessment  
<http://www.healthysuffolk.org.uk/assets/JSNA/PH-reports/Suffolk-Deprivation-April-2014-Update.pdf>

<sup>9</sup> Public Health Suffolk, 2015. Index of Multiple Deprivation 2015. <http://www.healthysuffolk.org.uk/assets/JSNA/JSNA-Blog/IMD-for-Healthy-Suffolk-2015-short-for-web.pdf>

These reflect a change in demand from more traditional crime types to those that exploit and generate vulnerabilities, and are reflected in the new Police and Crime Plan (published by returning PCC Tim Passmore in March 2017), which sets out the following priority areas:

- Serious Sexual Offending
- Domestic Abuse
- Child Sexual Abuse
- Call handling (emergency and non-emergency)
- Emergency response
- Victim satisfaction and public confidence
- Workforce and establishment
- Online crime
- Hate crime
- Rural crime
- Business crime
- Killed and Seriously Injured collisions

Performance against these PCC priorities is monitored through the production of regular performance reports and the provision of comprehensive analysis through the new Suffolk Performance Framework. The Framework provides a statistically robust and consistent representation of performance, highlighting exceptional changes in trend and continues to develop in line with the progression of local and national policing priorities.

The Constabulary continues to focus on threat, harm and risk when receiving reports of crime and conducting investigations, with Threat, Harm, Risk, Investigation, Vulnerable, Engagement (THRIVE) processes in the control room having embedded into call handling processes, driving more effective assessment of calls for service. The duration of 999 calls has increased from 2m 58s in July 2015 (when THRIVE was implemented) to 4m 9s in March 2017; the abandoned rate for 999 calls has dropped by more than half over the same period from 2.4% to 1%; and the proportion of calls to the CCR which were converted into any kind of event fell from 52.9% in the 12 months prior to THRIVE implementation, to 36.2% in the months after (with the number of incidents that any officer had to attend in the 12 months to the end of October 2016 falling by almost 16% compared to the year to the end of October 2015). These are all positive signs that THRIVE is having an effect and that resources were being prioritised in accordance with threat and risk.

In April 2016, Suffolk Constabulary also introduced the second phase of a new local policing model, using new processes for managing demand to ensure that resources are distributed appropriately and effectively, and with consideration for the changing complexities of crime. Changes included a new geographical team structure comprising three area based commands, nine locality teams (combining SNTs, volunteers and special constables) and existing SNTs rearranged into 18 localities (from 29). In addition, a new Incident and Crime Management Hub ensures that non-urgent incidents can be assessed for most appropriate resolution including by desk-based investigation, and is strongly endorsed by HMIC. Evaluations of the success of the new policing model are underway.

### **Collaboration and partnership working**

The Police Reform and Social Responsibility Act 2011 places duties on chief officers and policing bodies to keep collaboration activities under review and to collaborate where it is in the interests of the efficiency and effectiveness of their own and other police force areas.

Suffolk Constabulary's primary partner for collaboration is Norfolk Constabulary. A joint strategy exists which outlines the collaborative vision for Suffolk and Norfolk, and provides a strategic framework within which collaborative opportunities are progressed.

The two police forces have been collaborating for seven years, with the programme of collaborative work delivering a number of joint units and departments in areas such as major investigation, protective services, custody, and back office support functions. The partnership has also yielded significant savings for both forces and received praise from Her Majesty's Inspectorate of Constabulary (HMIC).

Areas of collaboration outside of Norfolk/Suffolk include Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises of resources from the following police forces: Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire and

Hertfordshire. There is also a 7 Forces Strategic Collaboration Programme currently scoping other areas for collaboration and savings.

The Policing and Crime Act 2017 received Royal Assent on 31 January 2017. The Act brings with it a duty in England for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities.

The proposed new duty is aimed at spreading existing best practice across all areas of the emergency services, making collaboration common practice. The Home Secretary says it would ensure that all opportunities to improve efficiency and effectiveness between the emergency services are fully explored whilst allowing decisions to be taken at a local level.

## **Partnerships**

The PCC and Constabulary are involved in many partnership arrangements at a number of levels from Strategic Boards, such as the Health and Wellbeing Board, to operational working groups. These are all aimed at ensuring the PCC and Constabulary fulfils its statutory responsibilities for partnership working, as well as ensuring it continues to be effective and efficient by working together with partners and key stakeholders to ensure service delivery continues to be high quality.

## **Commissioning**

The Police and Crime Commissioner can commission services that:

- a) secure, or contribute to securing, crime and disorder reduction in Suffolk;
- b) are intended to help victims or witnesses of, or other persons affected by, offences and anti-social behaviour.

This is in accordance with the provisions in the Anti-Social Behaviour, Crime and Policing Act 2014. In applying this provision, the PCC ensures that the services commissioned are also consistent with the Suffolk Police and Crime Plan 2017–2021.

Since 2012 two primary grant awarding funds have been utilised in Suffolk. The first is grant funding in relation to local commissioning of Victims' Support Services awarded annually by the Ministry of Justice. This grant is ring-fenced and must be used for commissioning victims services.

The second, the Crime and Disorder Reduction Grant Fund, was established by the PCC in 2013 for the purposes of commissioning services in accordance with the statutory power outlined above. The PCC allocates part of this fund to the "PCC's Safer Suffolk Fund" which is administered by Suffolk Community Foundation.

All grants awarded include success criteria (e.g. intended outcomes, milestones, risks, etc.) and how the initiative for which funding is sought will deliver clear and measurable outcomes against Police and Crime Plan objectives. Grants decisions are published on the PCC website. All grant recipients report on the outcomes and progress of projects. Depending on the nature and amount of grant, recipients may also be required to report to public accountability meetings (e.g. the Accountability and Performance Panel).

The performance of service providers has been regularly reviewed and monitored against proposed outcomes/outputs. Where appropriate, services are assessed using the perceptions of victims of crime in terms of their satisfaction with the services and the extent to which they have been supported to cope and recover.

Value for money and efficiency also features in the evaluation of services and commissioning of services.

## **Transformation Challenge Award (TCA)**

In 2014, Suffolk was successful in securing £3.3m revenue funding from the Department for Communities and Local Government Transformation Challenge Award Fund (DCLG). This was one of the highest of the 73 awards made nationally. DCLG were impressed with the bid's focus of putting Suffolk residents at the heart of everything.

Suffolk's was a highly collaborative bid made by Suffolk Public Sector Leaders including all Suffolk councils, the Police and Crime Commissioner, the Constabulary and Clinical Commissioning Groups. It is focussed on long term transformation, with the shared aim to redefine the relationship with local people in order to deliver sustainable support with less resource. This includes a focus on joined up prevention and early help.

The award is being used to create a step change in the work and direction of travel for collaborative and integrated ways of working and Suffolk's public sector leaders commitment to:

- Doing what's right for Suffolk;
- Better outcomes with less money;
- A more integrated Suffolk System;
- More resilient people and communities.

To deliver these, a number of system-wide priorities were established: localism; growth; health care, and safety; intelligence, insight and digital; organisational development and medium-term financial planning. Each of these has identified activity against system wide outcomes such as: a Strategic Planning and Infrastructure Framework; shared evidence and evaluation and joined up approaches to community based early intervention and prevention. As a key driver for their ambition, the system working that followed the TCA funding provides regular updates to Suffolk Public Sector Leaders.

## **2. Impact of the governance arrangements on the Financial Statements of the PCC and CC**

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item will flow to or from the entity. At the outset the PCC took responsibility for the finances of the whole Group and controls the assets, liabilities and reserves, which were transferred from the former Police Authority. With the exception of the liabilities for employment and post-employment benefits this position has not changed and would suggest that these balances should be shown on the PCC's Balance Sheet.

The Scheme of Governance and Consent sets out the roles and responsibilities of the PCC and Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the Chief Constable to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is showing in the accounts of the PCC and Group.

The PCC receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the CC's staff operates. The PCC has not set up a separate bank account for the CC, which reflects the fact that all income is paid to the PCC. The PCC has not made arrangements for the carry forward of balances or for the CC to hold cash backed reserves.

Therefore, the CC fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is determined by the PCC. The CC ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's police officers, police community support officers (PCSOs) and police staff. It is recognised that in exercising day-to-day direction and control the CC will undertake activities, incur expenditure and generate income to allow the police force to operate effectively. It is appropriate that a distinction is made between the financial impact of this day-to-day direction and control of the force and the overarching strategic direction set out in the PCC's Police and Crime Plan.

Therefore it is appropriate that the expenditure and income associated with day-to-day direction and control and the PCC's funding to support the CC is best shown in the CC's Accounts, with the main sources of funding (i.e. central government grants and Council Tax) and the vast majority of balances being shown in the PCC's Accounts.

In particular, it should be noted that it has been decided to recognise transactions in the CC's Comprehensive Income and Expenditure Statement (CIES) in respect of operational policing officer and staff costs, and associated operational incomes, and transfer liabilities to the CC's Balance Sheet for employment and post-employment benefits in accordance with International Accounting Standard 19 (IAS19).

The rationale behind transferring the liability for employment benefits is that IAS19 states that the employment liabilities should follow employment costs. Because employment costs are shown in the CC's CIES, on the grounds that the CC is exercising day-to-day direction and control over police officers and police staff, it follows that the employment liabilities are therefore shown in the CC's Balance Sheet.

### 3. Explanation of financial statements

The 2016/17 Statement of Accounts for the Police and Crime Commissioner for Suffolk and the PCC Group are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Adjustments made between the accounting and funding bases are shown in the Movement in Reserves Statement and the associated notes.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **The Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Please note that occasionally minor differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies. The notes to the accounts are headed "Group" and "PCC" as appropriate. If only one table is included within a note, this relates to both the Group and the PCC.

#### Prior Period Adjustments

There have been significant changes in the CIPFA Code of Practice for 2016/17 that materially affect the disclosures in the Statements of Accounts, and require Prior Period Adjustments.

As a result of the "Telling the Story" review of the presentation of local authority financial statements, significant changes have been made to the format of primary statements. This includes an abbreviated Movement in Reserves Statement (MIRS), a change in the objective basis for the Comprehensive Income and Expenditure Statement (CIES) and the introduction of a new statement, the Expenditure and Funding Analysis (EFA).

Within the (CIES), the objective basis for presentation has changed from SeRCoP (Service Reporting Code of Practice) to that used for segmental reporting. Reportable segments are those used for internal management reporting.

The EFA is a new disclosure requirement and demonstrates to council tax payers how the funding available to the PCC for the year has been used in providing resources in comparison with those resources consumed or earned by the PCC in accordance with generally accepted accounting practices. The EFA and the associated notes reconcile the movements between the CIES and the statutory funding basis. The EFA is disclosed on a segmental basis.

#### 4. The 2016/17 Revenue and Capital Budget Process

A joint financial planning process took place between September 2015 and January 2016 in accordance with a timetable previously agreed by the Norfolk and Suffolk Chief Constables.

An enhanced “scrutiny” process was developed to facilitate the development of the 2016/17 budget and spending plans over the medium-term. This process involved Senior Managers attending Chief Officer Challenge Panels to review strategic issues, savings proposals, growth pressures and capital spend requirements. The process concluded with Norfolk and Suffolk Chief Constables reviewing the outcomes from the panel reviews, and agreeing joint budgets, costs and savings arising from the process to be included in spending plans.

In accordance with the requirements of Section 96 (1) (b) of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC has an obligation to obtain the views of ratepayer representatives. Accordingly, the proposals for expenditure were made available to business representatives during January 2016 to enable them to comment upon the proposals.

In addition, a council tax precept survey was undertaken with members of the public.

The results were collated towards the end of January 2016 and presented by the PCC to the Police and Crime Panel at its meeting on 29 January 2016.

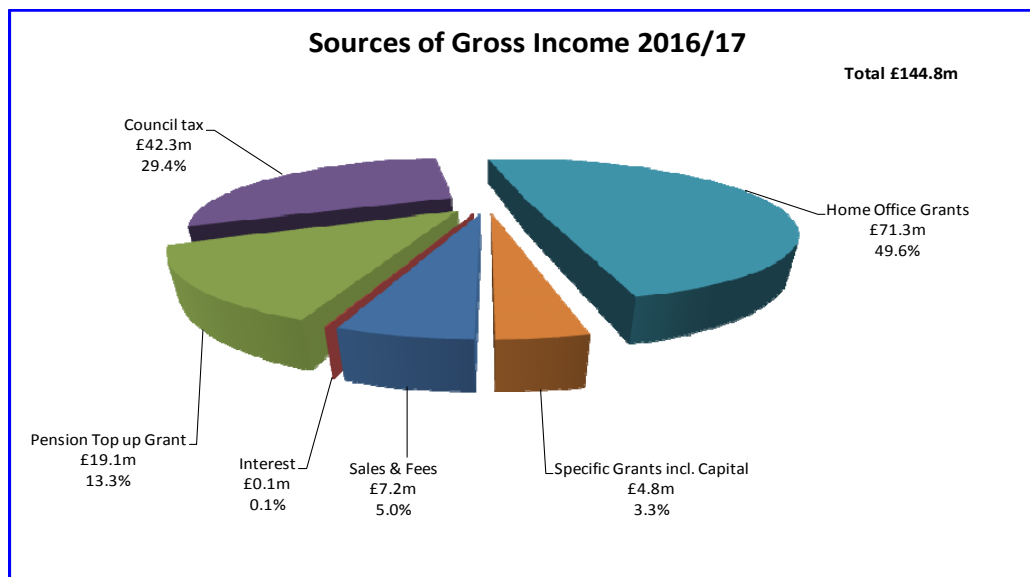
These spending plans were then incorporated into the Medium-Term Financial Plan (MTFP) of the PCC covering the period 2016/17 to 2020/21 which was approved by the PCC on 5 February 2016.

The MTFP for the PCC is available on [www.suffolk-pcc.gov.uk](http://www.suffolk-pcc.gov.uk)

#### 5. Financial Performance of the PCC Group for 2016/17

##### Sources of Funding

The majority of police funding comes from the Government in the form of general and specific grants together with a share of business rate income from the national pool. The remainder comes from Council tax and fees and charges. The financing burden on local Council taxpayers, as a percentage over funding, has steadily increased as Government grants are reduced. The following chart shows the sources of revenue funding in 2016/17:



##### Revenue Budget

In January 2016, the PCC approved a net revenue budget for 2016/17 of £113.096m. The council tax for a Band D property for 2016/17 was £173.43 (2015/16 £170.10) following a decision by the PCC to increase the Council Tax by nearly 2%.

## Savings plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme was initially developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16, and is still required to deal with the spending challenges from inflation, increasing demand, the changing nature of crime and ongoing investment in modernising the Constabulary through improved digital infrastructure and technology.

Savings plans of £5.035m were identified for 2016/17, and these savings were achieved. The impact of the Home Office Grant Settlement for 2017/18 is a 1.4% cash reduction and there is a savings requirement of £1.714m. The PCC and CC are jointly committed to providing the best possible policing service across Suffolk whilst at the same time increasing efficiency and reducing costs.

There is more information about the impact of the Home Office settlement for 2017/18 and what this means for the Constabulary over the medium-term in the Looking Forward section below.

## Revenue Expenditure Compared to Budget.

For Budgeting purposes the Revenue Budget is compiled and controlled as set out in the following table:

	Budget £000	Final outturn £000	Variance £000
Constabulary	113,807	112,874	933
Office of the PCC	928	842	86
PCC Commissioning	765	642	123
OPCC - Grants	(2,733)	(2,733)	-
Capital Financing	3,227	3,072	155
Net total contributions to / (from) earmarked reserves	(2,898)	(1,601)	(1,297)
Total Net Expenditure	113,096	113,096	-
Grants and non-domestic rates income	70,376	70,376	-
Precept income (before collection fund balance adjustment)	42,720	42,720	-
<b>Transfer from/(to) General reserves</b>	-	-	-

The Total Net Expenditure in the above table is different to Net Cost of Police Services reported in the CIES (shown on page 17), which is prescribed by the Code of Practice. The difference is primarily made up of accounting adjustments required by the Code. The reconciliation between the two amounts is shown in the following table:

2015/16 £000		2016/17 £000
111,619	<b>Total Net Expenditure per Outturn Report</b>	113,096
(977)	Revenue funding of capital	(2,043)
(665)	Minimum Revenue Provision (MRP)	(695)
4,709	Depreciation, amortisation and impairments	7,586
-	Proceeds from the sale of fixed assets not taken to the Capital Receipts Reserve	-
32,522	IAS 19 pension service costs (accounting basis)	27,447
(17,230)	Pension contributions (funding basis)	(16,464)
(907)	Movement on employee benefits accrual	22
3,773	Transfers from earmarked balances within the General Fund	1,601
134	Interest received	96
(2,873)	Interest payable	(2,808)
<b>130,104</b>	<b>Net Cost of Police Services</b>	<b>127,838</b>

## Capital Budget

The Capital programme for 2016/17, including slippage from 2015/16 and in-year approvals, was £5.235m. Actual expenditure against this total was £4.037m. The under-spend of £1.198m is primarily due to joint schemes with Norfolk continuing into 2017/18 including ANPR Cameras and CCR Telephony, Intranet, Body Worn Video and WAN contract renewal. Actual expenditure includes an amount of £0.341m relating to incidental and de-minimis expenditure, which is not capitalised in the financial statements but charged directly to the CIES.

The capital programme was financed by government grants and contributions (£0.644m), revenue contributions (£1m), the Capital Financing Reserve (£1.043m), internal borrowing of (£0.745m) and capital receipts (£0.263m).

## Long Term Liabilities

### Pension Liabilities

The PCC operates three separate pension schemes for police officers and one scheme for police staff. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC has a future commitment to make these payments and under International Accounting Standard 19 (IAS19), the PCC is required to account for this future commitment based on the full cost at the time of retirement. The future net pension liabilities of the PCC as calculated by an independent actuary are set out in the following table:

	<b>Total</b>	<b>Officers</b>	<b>Staff</b>
<b>Year-end</b>			
31 March 2017	£1,319m	£1,271m	£48m
31 March 2016	£1,139m	£1,097m	£42m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,284m at 31 March 2017, however, the financial position of the PCC remains sound as these liabilities will be spread over many years.

### PFI Liabilities

At the year end the Suffolk PCC share of the PFI liability associated with Police Investigation Centres amounted to £23.8m. The full cost of the annual unitary charge is included within the PCC's balanced budget. The Suffolk PCC share of an annual grant received from the Home Office supporting the annual unitary charge amounts to £2.7m per annum.

### Reserves

As at 31 March 2017, the PCC has usable reserves of £11.120m which are available to support revenue and capital spending. This includes a general fund balance of £10.838m of which £5.850m relates to earmarked balances, against which there are significant commitments, and a general balance of £5m. These reserves are not fully supported by cash balances, primarily due to capital expenditure in some prior years being financed from



cash.

## Treasury Management

The PCC has agreed a Treasury Management Strategy which complies with CIPFA guidance. During 2016/17, the PCC continued to borrow and/or invest available cash balances in accordance with cash-flow forecasts, ensuring that prescribed policies with regard to security and liquidity were observed. The average level of investments for 2016/17 was £17.4m and the interest received against the budget of £0.100m was £0.096m. The overall return of 0.55% exceeded the benchmark of the Local Government 7 day rate average of 0.19% by 0.36%, and the 3m LIBOR average of 0.44% by 0.11%.

## Annual Governance Statement

The Accounts and Audit Regulations require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The AGS can be found on the PCC's website at [www.suffolk-pcc.gov.uk](http://www.suffolk-pcc.gov.uk)

## 6. Non-financial performance

Against a national increase of 11.2%, and a most similar group increase of 5.5%, Home Office data to the end of February 2017<sup>10</sup> shows total recorded crime in Suffolk increased by 1.4% on the previous 12 month period from 44,721 to 45,364. This is reflected in an increase of 0.867 crimes per 1,000 population (from 60.28 to 61.15).

Trends in crime rates reflect the shift in demand from traditional to vulnerability-based crimes, with a decrease\* in Domestic Burglary (5%), Criminal Damage (3%), Drug Trafficking (27%), and Theft (7%) set against an increase\* in Serious Sexual Offences (10%), Domestic Abuse (10%) and Child Sexual Abuse (12%). An increase in such vulnerability-based crimes likely reflects the Constabulary's ongoing commitment to increasing victims' confidence in reporting to the police.

\*over the twelve months up to March 2017 compared to the previous three year period.

The PCC will publish the Annual Report for 2016/17 in October and this will be available on the PCCs website: [www.suffolk-pcc.gov.uk](http://www.suffolk-pcc.gov.uk). This will give further information on performance against the Police and Crime Plan.

## 7. Looking Forward

The financial context for police forces remains very challenging. Since 2007/08 government funding to the PCC for Suffolk has reduced by £8m, and when taking inflation into account this is approximately £23m in real terms.

In the provisional Police Grant Report, the Minister of State for Policing and the Fire Service stated "direct resource [revenue] funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available in both 2016/17 and 2017/18."

In reality this means that a number of growth pressures must be absorbed, e.g. inflation; increases in demand from the changing nature of crime (e.g. in crimes against vulnerable people, and cybercrime); statutory changes such as the apprenticeship levy, pension increases and auto-enrolment into pension schemes. These demands add approximately £4m worth of budgetary pressure a year.

For 2017/18 the Constabulary has identified £1.714m of savings to balance the budget and over the life of the Medium-Term Financial Plan this figure rises to £4.106m by 2020/21. Even with this level of identified savings, this leaves an additional savings requirement of £2.651m to be identified by 2020/21. In order to achieve this level of savings and ensure the policing model is as efficient as possible the Constabulary has developed a new change programme. This has focussed on three strands: the Service and Financial Planning process underpinned by Outcome Based Budgeting (OBB) principles; developing a new programme to develop the vision for policing in the county called Suffolk 2025; and Regional Collaboration.

All of these proactive elements, that use demand, performance and priority data will shape the new change programme and be captured in future Medium-Term Financial Plans to support the continued transformation and modernisation of policing. It is clear that the change programme will need to remain a continuous process,

---

<sup>10</sup> iquanta 2017. ForceSight to February 2017.

ensuring that savings can be driven out in a timely fashion to ensure budgets can be balanced over the medium-term and beyond.

Due to the continuing pace of modernisation, and ensuring that the Force is fit-for-purpose, appropriately equipped and has an appropriate estate footprint, there is an increased requirement for capital spending over the medium-term. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for investigating and storing digital data; new enabling programmes such as Body Worn Video, mobile working and the Emergency Services Network.

The growth of the investment in these “short life” capital assets will need to deliver efficiencies in staffing to avoid putting undue pressure on revenue reserves over the medium-term. Over the last few years, reserves have been used appropriately to fund the capital programme in respect of short life assets, the cost of change (e.g. redundancies arising from implementing the significant change programme), and planned temporary staffing costs to respond to service pressures, and transition programmes. Careful consideration has been given to reserve levels over the medium-term, and beyond particularly by modelling capital financing over the next 20 years.

The MTFP therefore includes planned contributions to reserves in 2019/20 and 2020/21 in order to ensure that sufficient reserves are available for the medium and longer-term. This will require additional savings to be found, and is a significant driver for further development of the change programme over the coming months and years.

The police service faces further challenges in the future, including the ongoing review of the police funding model by central government, and the funding arrangements, for example, for the Emergency Services Network that will see a national joined up blue light communications system, as well as continuing investment in modernising the service through digital technology such as mobile working and Body Worn Video.

As previously mentioned, the Policing and Crime Act 2017 received Royal Assent on 31 January 2017. The Act brings with it a duty in England for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities. Therefore, further collaboration with the Fire and Rescue service will be considered in due course with all stakeholders.

These uncertainties and challenges will require the PCC and Constabulary to keep financial planning assumptions under constant review, to ensure that the financial position remains stable into the long-term.

**Chris Bland CPFA**

**Chief Finance Officer**

# Comprehensive Income and Expenditure Statement

## for the PCC for Suffolk Group

### for the year ended 31 March 2017

Gross Expenditure 2015/16 Restated £000	Income 2015/16 Restated £000	Net Expenditure 2015/16 Restated £000		Gross Expenditure 2016/17 £000	Income 2016/17 £000	Net Expenditure 2016/17 £000
			Note			
<b>Division of Service:</b>						
132,795	(7,549)	125,246		128,277	(8,200)	120,077
7,225	(2,893)	4,333		9,975	(2,855)	7,120
1,343	(818)	526		1,515	(873)	642
<b>141,364</b>	<b>(11,260)</b>	<b>130,104</b>		<b>139,766</b>	<b>(11,928)</b>	<b>127,838</b>
<b>Net Cost of Police Services</b>						
			Page 25			
<b>Other Operating Expenditure:</b>						
-	(20,929)	(20,929)		-	(19,111)	(19,111)
-	(290)	(290)	8	258	-	258
<b>-</b>	<b>(21,219)</b>	<b>(21,219)</b>		<b>258</b>	<b>(19,111)</b>	<b>(18,854)</b>
<b>Financing and Investment Income and Expenditure:</b>						
2,873	-	2,873		2,808	-	2,808
40,731	-	40,731	17	39,698	-	39,698
-	(134)	(134)		-	(96)	(96)
<b>43,604</b>	<b>(134)</b>	<b>43,471</b>		<b>42,506</b>	<b>(96)</b>	<b>42,410</b>
<b>Taxation and Non-specific Grant Income:</b>						
-	(47,743)	(47,743)	8	-	(47,509)	(47,509)
-	(994)	(994)	8	-	(923)	(923)
-	(22,998)	(22,998)	8	-	(22,867)	(22,867)
-	(41,069)	(41,069)	11	-	(42,340)	(42,340)
<b>-</b>	<b>(112,803)</b>	<b>(112,803)</b>		<b>-</b>	<b>(113,639)</b>	<b>(113,639)</b>
		<b>39,552</b>				<b>37,756</b>
<b>Deficit/(Surplus) on the Provision of Services</b>						
			6			
<b>Other Comprehensive Income and Expenditure:</b>						
		(222)				(2,863)
		(169,822)	13			148,719
		<b>(170,044)</b>	17			<b>145,856</b>
		<b>(130,491)</b>				<b>183,612</b>
<b>Total Comprehensive Income and Expenditure</b>						

**Comprehensive Income and Expenditure Statement**  
**for the PCC for Suffolk**  
**for the year ended 31 March 2017**

Gross Expenditure 2015/16 Restated £000	Income 2015/16 Restated £000	Net Expenditure 2015/16 Restated £000		Gross Expenditure 2016/17 £000	Income 2016/17 £000	Net Expenditure 2016/17 £000
			Note			
				£000	£000	£000
<b>Division of Service:</b>						
7,225	(2,893)	4,333		9,975	(2,855)	7,120
1,343	(818)	526		1,515	(873)	642
<u>8,569</u>	<u>(3,710)</u>	<u>4,858</u>		<u>11,489</u>	<u>(3,728)</u>	<u>7,761</u>
<u>131,838</u>	<u>-</u>	<u>131,838</u>		<u>128,233</u>	<u>-</u>	<u>128,233</u>
<u>140,406</u>	<u>(3,710)</u>	<u>136,696</u>	5	<u>139,722</u>	<u>(3,728)</u>	<u>135,994</u>
			Page 26			
<b>Other Operating Expenditure:</b>						
-	(20,929)	(20,929)		-	(19,111)	(19,111)
-	(290)	(290)	8	258	-	258
<u>-</u>	<u>(21,219)</u>	<u>(21,219)</u>		<u>258</u>	<u>(19,111)</u>	<u>(18,854)</u>
<b>Financing and Investment Income and Expenditure:</b>						
2,873	-	2,873		2,808	-	2,808
30	-	30	17	26	-	26
-	(134)	(134)		-	(96)	(96)
<u>2,903</u>	<u>(134)</u>	<u>2,770</u>		<u>2,834</u>	<u>(96)</u>	<u>2,738</u>
<b>Taxation and Non-specific Grant Income:</b>						
-	(47,743)	(47,743)	8	-	(47,509)	(47,509)
-	(994)	(994)	8	-	(923)	(923)
-	(22,998)	(22,998)	8	-	(22,867)	(22,867)
-	(41,069)	(41,069)	11	-	(42,340)	(42,340)
<u>-</u>	<u>(112,803)</u>	<u>(112,803)</u>		<u>-</u>	<u>(113,639)</u>	<u>(113,639)</u>
		<u>5,443</u>	6			<u>6,240</u>
<b>Deficit/(Surplus) on the Provision of Services</b>						
		(222)	13			(2,863)
		332	17			(660)
		<u>110</u>				<u>(3,523)</u>
		<u>5,553</u>				<u>2,717</u>
<b>Total Comprehensive Income and Expenditure</b>						

## Balance Sheet for the PCC for Suffolk Group as at 31 March 2017

31 March 2016 £000	Notes	31 March 2017 £000
55,395	Property, plant and equipment	54,147
4,190	Intangible assets	3,536
<u>59,585</u>	<b>Non-Current Assets</b>	<u>57,683</u>
1,309	Long term debtors	1,148
<u>60,894</u>	<b>Total Long term Assets</b>	<u>58,831</u>
83	Inventories	89
10,151	Short term debtors and prepayments	12,731
4,683	Cash and cash equivalents	869
7,028	Short term investments	8,001
-	Assets held for sale	513
<u>21,945</u>	<b>Current Assets</b>	<u>22,204</u>
<b>82,839</b>	<b>TOTAL ASSETS</b>	<b>81,035</b>
9,821	Short-term creditors and accruals	10,776
-	Short Term Borrowing	2,000
1,839	Provisions	1,171
386	PFI liabilities and leases	327
<u>12,046</u>	<b>Current Liabilities</b>	<u>14,274</u>
1,138,698	Other long term liabilities	1,318,986
8,801	Long term borrowing	8,508
23,790	PFI liabilities	23,463
214	Grants receipts in advance	126
<u>1,171,503</u>	<b>Long Term Liabilities</b>	<u>1,351,083</u>
<b>1,183,549</b>	<b>TOTAL LIABILITIES</b>	<b>1,365,357</b>
<b>(1,100,710)</b>	<b>NET ASSETS / (LIABILITIES)</b>	<b>(1,284,321)</b>
12,442	Usable reserves	11,120
(1,113,152)	Unusable reserves	(1,295,441)
<u>(1,100,710)</u>	<b>TOTAL RESERVES</b>	<u>(1,284,321)</u>

The financial statements replace the unaudited financial statements certified by Chris Bland on 30<sup>th</sup> June 2017

C Bland CPFA (CFO PCC), 22 September 2017

## Balance Sheet for the PCC for Suffolk

### as at 31 March 2017

31 March 2016 £000	Notes	31 March 2017 £000
55,395	Property, plant and equipment	54,147
4,190	Intangible assets	3,536
<u>59,585</u>	<b>Non-Current Assets</b>	<u>57,683</u>
1,309	Long Term Debtors	1,148
<u>60,894</u>	<b>Total Long term Assets</b>	<u>58,831</u>
83	Inventories	89
10,151	Short term debtors and prepayments	12,731
4,683	Cash and cash equivalents	869
7,028	Short term investments	8,001
-	Assets held for sale	513
<u>21,945</u>	<b>Current Assets</b>	<u>22,204</u>
<u><b>82,839</b></u>	<b>TOTAL ASSETS</b>	<u><b>81,035</b></u>
9,113	Short-term creditors and accruals	10,046
-	Short Term Borrowing	2,000
1,839	Provisions	1,171
386	PFI liabilities and leases	327
<u>11,337</u>	<b>Current Liabilities</b>	<u>13,544</u>
1,359	Other long term liabilities	773
8,801	Long term borrowing	8,508
23,790	PFI liabilities	23,463
214	Grants receipts in advance	126
<u>34,164</u>	<b>Long Term Liabilities</b>	<u>32,870</u>
<u><b>45,501</b></u>	<b>TOTAL LIABILITIES</b>	<u><b>46,414</b></u>
<u><b>37,339</b></u>	<b>NET ASSETS / (LIABILITIES)</b>	<u><b>34,622</b></u>
12,442	Usable reserves	11,120
24,897	Unusable reserves	23,502
<u><b>37,339</b></u>	<b>TOTAL RESERVES</b>	<u><b>34,622</b></u>

The financial statements replace the unaudited financial statements certified by Chris Bland on 30<sup>th</sup> June 2017

C Bland CPFA (CFO PCC), 22 September 2017

## Movement in Reserves Statement for the PCC for Suffolk Group

<b>Year Ended 31 March 2017</b>	<b>General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Unapplied</b> £000	<b>Total Usable Reserves</b> £000	<b>Total Unusable Reserves</b> £000	<b>Total Reserves</b> £000
<b>Balance at 1 April 2016</b>	12,439	-	3	12,442	(1,113,151)	(1,100,709)
<b>Movement in Reserves during 2016/17</b>						
<b>Total comprehensive income and expenditure</b>	(37,756)	-	-	(37,756)	(145,856)	(183,612)
<b>Adjustments between accounting basis and funding basis under regulations</b>						
Note 26/28	36,155	-	279	36,434	(36,434)	-
<b>Increase / decrease in year</b>	(1,601)	-	279	(1,322)	(182,290)	(183,612)
<b>Balance at 31 March 2017</b>	10,838	-	282	11,120	(1,295,440)	(1,284,320)

<b>Year Ended 31 March 2016</b>	<b>General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Unapplied</b> £000	<b>Total Usable Reserves</b> £000	<b>Total Unusable Reserves</b> £000	<b>Total Reserves</b> £000
<b>Balance at 1 April 2015</b>	16,212	-	24	16,236	(1,247,437)	(1,231,201)
<b>Movement in Reserves during 2015/16</b>						
<b>Total comprehensive income and expenditure</b>	(39,552)	-	-	(39,552)	170,044	130,491
<b>Adjustments between accounting basis and funding basis under regulations</b>						
Note 26/28	35,779	-	(21)	35,758	(35,758)	-
<b>Increase / decrease in year</b>	(3,773)	-	(21)	(3,794)	134,286	130,491
<b>Balance at 31 March 2016</b>	12,439	-	3	12,442	(1,113,151)	(1,100,709)

## Movement in Reserves Statement for the PCC for Suffolk

<b>Year Ended 31 March 2017</b>	<b>General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Unapplied</b> £000	<b>Total Usable Reserves</b> £000	<b>Total Unusable Reserves</b> £000	<b>Total Reserves</b> £000
<b>Balance at 1 April 2016</b>	<b>12,439</b>	<b>-</b>	<b>3</b>	<b>12,442</b>	<b>24,897</b>	<b>37,338</b>
<b>Movement in Reserves during 2016/17</b>						
<b>Total comprehensive income and expenditure</b>	<b>(6,240)</b>	<b>-</b>	<b>-</b>	<b>(6,240)</b>	<b>3,523</b>	<b>(2,717)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>4,639</b>	<b>-</b>	<b>279</b>	<b>4,918</b>	<b>(4,918)</b>	<b>-</b>
<b>Note 26/28</b>						
<b>Increase / decrease in year</b>	<b>(1,601)</b>	<b>-</b>	<b>279</b>	<b>(1,322)</b>	<b>(1,395)</b>	<b>(2,717)</b>
<b>Balance at 31 March 2017</b>	<b>10,838</b>	<b>-</b>	<b>282</b>	<b>11,120</b>	<b>23,502</b>	<b>34,622</b>

<b>Year Ended 31 March 2016</b>	<b>General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Unapplied</b> £000	<b>Total Usable Reserves</b> £000	<b>Total Unusable Reserves</b> £000	<b>Total Reserves</b> £000
<b>Balance at 1 April 2015</b>	<b>16,212</b>	<b>-</b>	<b>24</b>	<b>16,236</b>	<b>26,656</b>	<b>42,891</b>
<b>Movement in Reserves during 2015/16</b>						
<b>Total comprehensive income and expenditure</b>	<b>(5,443)</b>	<b>-</b>	<b>-</b>	<b>(5,443)</b>	<b>(110)</b>	<b>(5,553)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>1,670</b>	<b>-</b>	<b>(21)</b>	<b>1,650</b>	<b>(1,650)</b>	<b>-</b>
<b>Note 26/28</b>						
<b>Increase / decrease in year</b>	<b>(3,773)</b>	<b>-</b>	<b>(21)</b>	<b>(3,794)</b>	<b>(1,760)</b>	<b>(5,553)</b>
<b>Balance at 31 March 2016</b>	<b>12,439</b>	<b>-</b>	<b>3</b>	<b>12,442</b>	<b>24,897</b>	<b>37,338</b>



## Cash-flow Statement for the PCC for Suffolk Group

### for the year ended 31 March 2017

2015/16 £000		Note	2016/17 £000
(39,552)	<b>Net surplus/(deficit) on the provision of services</b>	<b>Page 17</b>	(37,756)
39,177	Adjustment for non cash or cash equivalent movements	<b>31</b>	37,592
-	Adjustment for items included in net deficit on the provision of services that are investing or financing activities:		-
(994)	Capital grants and contributions		(923)
<u>(1,369)</u>	<b>Net cash flows from operating activities</b>		<u>(1,087)</u>
430	Investing activities	<b>30</b>	(4,057)
(625)	Financing activities	<b>30</b>	1,330
<u>(1,564)</u>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>29</b>	<u>(3,814)</u>
6,247	Cash and cash equivalents at the beginning of the reporting period	<b>20</b>	4,683
<u><u>4,683</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20</b>	<u><u>869</u></u>

## Cash-flow Statement for the PCC for Suffolk

### for the year ended 31 March 2017

2015/16 £000		Note	2016/17 £000
(5,443)	<b>Net surplus/(deficit) on the provision of services</b>	<b>Page 18</b>	(6,240)
5,069	Adjustment for non cash or cash equivalent movements	<b>31</b>	6,075
-	Adjustment for items included in net deficit on the provision of services that are investing or financing activities:		-
(994)	Capital grants and contributions		(923)
<u>(1,368)</u>	<b>Net cash flows from operating activities</b>		<u>(1,087)</u>
430	Investing activities	<b>30</b>	(4,057)
(625)	Financing activities	<b>30</b>	1,330
<u>(1,564)</u>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>29</b>	<u>(3,813)</u>
6,247	Cash and cash equivalents at the beginning of the reporting period	<b>20</b>	4,683
<u><u>4,683</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20</b>	<u><u>870</u></u>

## Expenditure & Funding Analysis for the PCC for Suffolk Group

The Expenditure and Funding Analysis is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Strategic Report to the CIES.

<b>Group Position</b>	<b>Net Expenditure Chargeable to the General Fund Balances £000</b>	<b>Adjustments between Funding and Accounting Basis £000</b>	<b>Net Expenditure in the CIES £000</b>
<b>Year Ended 31 March 2017</b>			
Chief Constable	109,120	10,957	120,077
PCC's Office	(515)	7,635	7,120
PCC Commissioning	642	-	642
<b>Net Cost of Police Services</b>	<b><u>109,247</u></b>	<b><u>18,591</u></b>	<b><u>127,838</u></b>
Other Income and Expenditure	(107,646)	17,563	(90,082)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>1,601</u></b>	<b><u>36,155</u></b>	<b><u>37,756</u></b>
Opening General Fund Balance at 1 April 2016	12,439		
Less Deficit on General Fund in Year	(1,601)		
<b>Closing General Fund Balance at 31 March 2017</b>	<b><u>10,838</u></b>		
<b>Year Ended 31 March 2016</b>			
Chief Constable	110,909	14,337	125,246
PCC's Office	(424)	4,757	4,333
PCC Commissioning	526	-	526
<b>Net Cost of Police Services</b>	<b><u>111,011</u></b>	<b><u>19,093</u></b>	<b><u>130,104</u></b>
Other Income and Expenditure	(107,237)	16,686	(90,552)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>3,773</u></b>	<b><u>35,779</u></b>	<b><u>39,552</u></b>
Opening General Fund Balance at 1 April 2015	16,212		
Less Deficit on General Fund in Year	(3,773)		
<b>Closing General Fund Balance at 31 March 2016</b>	<b><u>12,439</u></b>		

## Expenditure & Funding Analysis for the PCC for Suffolk

PCC's Office	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
<b>Year Ended 31 March 2017</b>			
PCC's Office	(516)	7,635	7,120
PCC Commissioning	642	-	642
Intra-group funding	128,233		128,233
<b>Net Cost of Police Services</b>	<b>128,359</b>	<b>7,635</b>	<b>135,994</b>
Other Income and Expenditure	(126,758)	(2,996)	(129,754)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>1,601</b>	<b>4,639</b>	<b>6,240</b>
Opening General Fund Balance at 1 April 2016	12,439		
Less Deficit on General Fund in Year	(1,601)		
<b>Closing General Fund Balance at 31 March 2017</b>	<b>10,838</b>		
<b>Year Ended 31 March 2016</b>			
PCC's Office	(424)	4,757	4,333
PCC's Commissioning	526	-	526
Intra-group funding	131,838	-	131,838
<b>Net Cost of Police Services</b>	<b>131,939</b>	<b>4,757</b>	<b>136,696</b>
Other Income and Expenditure	(128,166)	(3,086)	(131,253)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>3,773</b>	<b>1,670</b>	<b>5,443</b>
Opening General Fund Balance at 1 April 2015	16,212		
Less Deficit on General Fund in Year	(3,773)		
<b>Closing General Fund Balance at 31 March 2016</b>	<b>12,439</b>		

# Notes to the Financial Statements for the PCC for Suffolk and the PCC for Suffolk Group

## 1. Accounting Policies

### General principles

The Statement of Accounts summarises the Group's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (COP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Cost recognition and Intra-Group adjustment

Refer to Note 5 for further details.

### Recognition of working capital

The Scheme of Governance and Consent sets out the roles and responsibilities of the Police and Crime Commissioner and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the CC to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

### Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not in the financial period in which cash payments are paid or received.

### Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals a de-minimis level of £1,000 is set for year-end accruals of purchase invoices. Other classes of accrual are reviewed to identify their magnitude. Where the inclusion or omission of an accrual would not have a material impact on the Statement of Accounts, either individually or cumulatively, it is omitted.

### Charges to the CIES (Comprehensive Income and Expenditure Statement) for Non-Current Assets

Net cost of policing of the PCC is debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets.
- Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets.

The PCC is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue, the Minimum Revenue Provision (MRP), towards the reduction in the overall borrowing requirement (represented by the Capital Financing Requirement) equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance.

Depreciation, amortisation, and revaluation and impairment losses are reversed from the General Fund and charged to the Capital Adjustment Account via the MIRS (Movement in Reserves Statement). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in equal instalments of MRP being charged over the related assets' useful life.

### **Property, plant and equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000. Expenditure below this amount on an individual asset is treated as revenue, with the following exceptions:

- Desktop and laptop computers and tablets
- Monitors
- Multi-functional devices
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERS
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Group does not capitalise borrowing costs incurred on the acquisition or construction of fixed assets.

The cost of assets acquired other than by purchase is deemed to be fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – historic cost until the asset is live (assets under construction are not depreciated)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following way:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the net cost of policing of the PCC in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following way:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss

had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset

The Code of Practice requires that where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, where the remaining asset life is significantly different for identifiable components, unless it can be proved that the impact on the Group's Statement of Accounts is not material. The Group has assessed the cumulative impact of component accounting. As a result the Group applies component accounting prospectively to assets that have a valuation in excess of £2m unless there is clear evidence that this would lead to a material misstatement in the Group's Financial Statements.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation or amortisation is charged in both the year of acquisition and disposal of an asset on a pro rata basis. Depreciation or amortisation is charged once an asset is in service and consuming economic benefit.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification, on the basis relevant to the asset class prior to reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and are to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.



## **Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the PCC will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Research expenditure is not capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC's services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of a finite intangible asset is amortised over its useful life and charged to the net cost of policing of the PCC's Office in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the net cost of policing of the PCC's Office in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## **Council Tax**

Billing authorities act as agents, collecting council tax on behalf of the major preceptors, which includes the PCC. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

The council tax income included in the Comprehensive Income and Expenditure Statement is the PCC's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the PCC's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## **Employee benefits**

### Benefits payable during employment

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year end. The accrual is made at the most recent wage and salary rates applicable.

### Post-employment benefits

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pension Scheme (LGPS), administered by Suffolk County Council. Some officers are still members of the Police Pension Scheme 1987 and the New Police Pension Scheme 2006,

where transitional protection applies. All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Constabulary, and all of the schemes are accounted for as defined benefit schemes.

The liabilities attributable to the Group of all four schemes are included in the Balance Sheet on an actuarial basis using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits (including injury benefits on the Police Schemes) earned to date by officers and employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current officers and employees.

Liabilities are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the return on UK Government bonds (gilts) plus a prudent asset return assumption, which makes an allowance for an anticipated out-performance of Fund returns relative to long term yields on gilts.

The assets of the LGPS attributable to the Group are included in the balance sheet at their fair value as follows:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

All three of the police schemes are unfunded and therefore do not have any assets. Benefits are funded from the contributions made by currently serving officers and a notional employer's contribution paid from the general fund; any shortfall is topped up by a grant from the Home Office.

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated in the CIES to the services for which the employee or officer worked. The current service cost is based on the latest available actuarial valuation.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are debited to the Net Cost of Policing in the CIES as part of the service for which the employee or officer worked.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged to the Financing and Investment Income and Expenditure line in the CIES. The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- Expected return on assets – the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return. It is credited to the Financing and Investment Income and Expenditure line in the CIES.
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are debited to the pension reserve.
- Contributions paid to the four pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## Discretionary Benefits

The Group has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including injury awards for police officers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Group makes payments to police officers in relation to injury awards, and the expected injury awards for active members are valued on an actuarial basis.

## **Events after the reporting period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified.

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events. However where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **Financial instruments**

### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets can be classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment

The PCC does not hold any available-for-sale financial assets.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the PCC this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest

credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

### Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- The Group will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Group are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet within Creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement (MIRS). Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

### Investment policy

The PCC works closely with its external treasury advisors Capita to determine the criteria for high quality institutions. The minimum rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties

- UK Banks which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- Non-UK Banks domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the three credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Lloyds Bank)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2016/17 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

### **Jointly controlled operations and jointly controlled assets**

Jointly controlled operations are activities undertaken by the PCC or the CC in conjunction with other bodies, which involve the use of the assets and resources of the Group or the other body, rather than the establishment of a separate entity. The Group recognises on the PCC Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the relevant Comprehensive Income and Expenditure Statement with its share of the expenditure incurred and income earned from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Group and other bodies, with the assets being used to obtain benefits for these bodies. The joint operation does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the arrangement.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The PCC as Lessee

##### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the PCC are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the PCC at the end of the lease period).

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

## *Operating Leases*

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

### The PCC as Lessor

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Net Cost of Policing line in the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Private Finance Initiative (PFI) and similar contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under its PFI schemes, and for the Police Investigation Centres (PICs) ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability was written down by the initial contribution.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – charged to the unitary payment when they are incurred in future years.

### **Provisions**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Group settles the obligation.

The insurance claims provision is maintained to meet the liabilities for claims received but for which the timing and/or the amount of the liability is uncertain. The Group self-insures part of the third party, motor and employer's liability risks. External insurers provide cover for large individual claims and to cap the total claims which have to be met from the provision in any insurance year. Charges are made to revenue to cover the external premiums and the estimated liabilities which will not be met by external insurers. Liability claims may be received several years after the event and can take many years to settle.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Reserves**

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC – these reserves are explained in the following paragraphs:

#### Revaluation Reserve

This Reserve records the accumulated gains on fixed assets arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred, only because the asset has been revalued. The balance on this Reserve for Assets disposed is written out to the Capital Adjustment Account. The overall balance on this reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historic cost.

#### Capital Adjustment Account

This Account accumulates (on the debit side) the write-down of the historical costs of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on this Account represents timing differences between the amount of the historical cost of the fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

#### Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The PCC accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PCC and CC make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the PCC and CC have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## **Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the VAT is irrecoverable it is included in the relevant service line of the Group Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

## **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Financial Statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom for 2016/17 (COP), the COP is based on International Financial Reporting Standards (IFRSs).

There are no amendments to be adopted under the 2017/18 Code of Practice which would be relevant to the Office of the Police and Crime Commissioner or the Chief Constable.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2017/18 in regard of what the PCC will receive from the government and limitations around the precept. The PCC and Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium-Term Financial Plan, the impact of which will be realised in the budget set by the PCC.
- The allocation of transactions and balances between the PCC and the Chief Constable, has been set out in the Narrative Report to these accounts.
- The PCC has taken over the obligations arising from a PFI contract entered into by the former Police Authority. The 30 year PFI contract was for the provision of newly built Police Investigation Centres, title to the assets will be retained by the PCCs of both Norfolk and Suffolk on completion of the contract. Associated assets have been capitalised and treated "on Balance Sheet" as required by IFRS.
- The PCC for Suffolk has a significant number of assets including those under Private Finance Initiatives (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI), and the capital and financing costs of the provision of those assets in the PCC accounts. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC accounts including the service charges element of the PFI.
- Costs of pension arrangements require estimates assessed by independent qualified actuaries regarding



future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.

- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out to provide the accounting entries for the PCC and the Chief Constable in 2016/17 and are reflected in the financial statements.
- Establishing the valuation of operational and residential properties. Depreciation is a calculation based on asset value and expected useful life of the assets. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The PCC monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year.

#### **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

##### Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £148.9m.

##### Exit Packages

Provisions for exit packages are based on information available at the time of the production of the accounts, there may be occasions where employees are subsequently redeployed resulting in the provision being overstated.

##### Property, plant and equipment

The value of land and property together with asset lives are obtained from the PCC's appointed external valuers (Carter Jonas). The PCC relies upon the experience and knowledge of the valuer using the Royal Institute of Chartered Surveyors (RICS) *Appraisal and Valuation Manual* to provide a fair value under IAS16. The carrying value of owned land and buildings (excluding assets under construction and held for sale) at the Balance Sheet date was as follows:

Land	£8.6m
Property	£35.0m

#### **5. Intra-group Funding Arrangement Between the PCC and Chief Constable**

The background and principles that underpin the accounting arrangements and create the need for an intra-group adjustment have been set out in the Narrative Report.

The PCC receives all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or reserves. However, it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing it is necessary to capture the costs associated with this activity in the Chief Constable's CIES. A consequence of this is that the employment liabilities associated with police officers and police staff are also contained in the Chief Constable's CIES and the accumulative balances are held on the Chief Constable's Balance Sheet. All other assets and liabilities are held on the PCC's Balance Sheet.

Whilst no actual cash changes hands the PCC has undertaken to fund the resources consumed by the Chief Constable. The PCC effectively makes all payments from the Police Fund. To reflect this position in the Accounts, funding from the PCC offsets cost of service expenditure contained in the Chief Constable's CIES. This intra-group adjustment is mirrored in the PCC's CIES. The financial impact associated with the costs of the

employment liabilities is carried on the balance sheet in accordance with the Code and add to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

## 6. Notes to the Expenditure and Funding Analysis

### Adjustments between the CIES and the General Fund – Group

<b>Group Position</b>	<b>Adjustment for Capital Purposes £000</b>	<b>Net Change for the Pensions Adjustments £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
<b>Year Ended 31 March 2017</b>				
Chief Constable	-	10,934	22	10,957
PCC's Office	7,586	49	-	7,635
PCC Commissioning	-	-	-	-
<b>Net Cost of Police Services</b>	<b>7,586</b>	<b>10,983</b>	<b>22</b>	<b>18,591</b>
Other Income and Expenditure	(3,403)	20,587	380	17,563
<b>Difference between General Fund Deficit/(Surplus) &amp; CIES Deficit/(Surplus)</b>	<b>4,183</b>	<b>31,570</b>	<b>402</b>	<b>36,155</b>
<b>Year Ended 31 March 2016</b>				
Chief Constable	-	15,236	(899)	14,337
PCC's Office	4,709	56	(8)	4,757
PCC Commissioning	-	-	-	-
<b>Net Cost of Police Services</b>	<b>4,709</b>	<b>15,292</b>	<b>(907)</b>	<b>19,093</b>
Other Income and Expenditure	(2,926)	19,802	(190)	16,686
<b>Difference between General Fund Deficit/(Surplus) &amp; CIES Deficit/(Surplus)</b>	<b>1,783</b>	<b>35,094</b>	<b>(1,097)</b>	<b>35,779</b>

## Adjustments between the CIES and the General Fund – PCC

	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>PCC's Office</b>				
<b>Year Ended 31 March 2017</b>				
PCC's Office	7,586	49	-	7,635
PCC Commissioning	-	-	-	-
<b>Net Cost of Police Services</b>	<b>7,586</b>	<b>49</b>	<b>-</b>	<b>7,635</b>
Other Income and Expenditure	(3,403)	26	380	(2,996)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>4,183</b>	<b>75</b>	<b>380</b>	<b>4,639</b>
<b>Year Ended 31 March 2016</b>				
PCC's Office	4,709	56	(8)	4,757
PCC Commissioning	-	-	-	-
<b>Net Cost of Police Services</b>	<b>4,709</b>	<b>56</b>	<b>(8)</b>	<b>4,757</b>
Other Income and Expenditure	(2,926)	30	(190)	(3,086)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>1,783</b>	<b>86</b>	<b>(198)</b>	<b>1,670</b>

## Expenditure and Income Analysed by Nature Before Intra-Group Funding - Group

	Total Chief Constable	Total PCC's Office	Total PCC's Commissioning	Total Group
	£000	£000	£000	£000
<b>Reported in 2016/17</b>				
<b>Expenditure</b>				
Employee benefits expenses	107,571	721	-	108,292
Other service expenditure	20,706	1,327	1,515	23,547
Depreciation, amortisation, impairment	-	7,927	-	7,927
Net pensions interest cost	39,672	26	-	39,698
Interest payments	-	2,808	-	2,808
Loss on the disposal of assets	-	258	-	258
<b>Total Expenditure</b>	<b>167,949</b>	<b>13,067</b>	<b>1,515</b>	<b>182,530</b>
<b>Income</b>				
Fees, charges and other service income	(7,038)	(123)	-	(7,161)
Interest and investment income	-	(96)	-	(96)
Income from council tax	-	(42,340)	-	(42,340)
Government grants and contributions	(1,162)	(93,143)	(873)	(95,177)
<b>Total Income</b>	<b>(8,200)</b>	<b>(135,701)</b>	<b>(873)</b>	<b>(144,774)</b>
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>159,749</b>	<b>(122,635)</b>	<b>642</b>	<b>37,756</b>
<b>Reported in 2015/16</b>				
<b>Expenditure</b>				
Employee benefits expenses	112,353	732	-	113,084
Other service expenditure	20,442	1,367	1,343	23,152
Depreciation, amortisation, impairment	-	5,128	-	5,128
Net pensions interest cost	40,701	30	-	40,731
Interest payments	-	2,873	-	2,873
<b>Total Expenditure</b>	<b>173,495</b>	<b>10,129</b>	<b>1,343</b>	<b>184,968</b>
<b>Income</b>				
Fees, charges and other service income	(6,276)	(160)	-	(6,436)
Interest and investment income	-	(134)	-	(134)
Income from council tax	-	(41,069)	-	(41,069)
Government grants and contributions	(1,272)	(95,398)	(818)	(97,487)
Gain on the disposal of assets	-	(290)	-	(290)
<b>Total Income</b>	<b>(7,548)</b>	<b>(137,050)</b>	<b>(818)</b>	<b>(145,416)</b>
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>165,947</b>	<b>(126,920)</b>	<b>526</b>	<b>39,552</b>

## Expenditure and Income Analysed by Nature – PCC

	Total PCC's Office	Total PCC's Commissioning	Total PCC
	£000	£000	£000
<b>Reported in 2016/17</b>			
<b>Expenditure</b>			
Employee benefits expenses	721	-	721
Other service expenditure	1,327	1,515	2,842
Depreciation, amortisation, impairment	7,927	-	7,927
Net pensions interest cost	26	-	26
Interest payments	2,808	-	2,808
Loss on the disposal of assets	258	-	258
<b>Total Expenditure</b>	<b><u>13,067</u></b>	<b><u>1,515</u></b>	<b><u>14,581</u></b>
<b>Income</b>			
Fees, charges and other service income	(123)	-	(123)
Interest and investment income	(96)	-	(96)
Income from council tax	(42,340)	-	(42,340)
Government grants and contributions	(93,143)	(873)	(94,016)
<b>Total Income</b>	<b><u>(135,701)</u></b>	<b><u>(873)</u></b>	<b><u>(136,574)</u></b>
<b>Deficit/(Surplus) on the Provision of Services before Intra Group funding</b>	<b><u>(122,635)</u></b>	<b><u>642</u></b>	<b><u>(121,993)</u></b>
Intra-group funding	128,233	-	128,233
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>5,598</u></b>	<b><u>642</u></b>	<b><u>6,240</u></b>
<b>Reported in 2015/16</b>			
<b>Expenditure</b>			
Employee benefits expenses	732	-	732
Other service expenditure	1,367	1,343	2,710
Depreciation, amortisation, impairment	5,128	-	5,128
Net pensions interest cost	30	-	30
Interest payments	2,873	-	2,873
<b>Total Expenditure</b>	<b><u>10,129</u></b>	<b><u>1,343</u></b>	<b><u>11,473</u></b>
<b>Income</b>			
Fees, charges and other service income	(160)	-	(160)
Interest and investment income	(134)	-	(134)
Income from council tax	(41,069)	-	(41,069)
Government grants and contributions	(95,398)	(818)	(96,215)
Gain on the disposal of assets	(290)	-	(290)
<b>Total Income</b>	<b><u>(137,050)</u></b>	<b><u>(818)</u></b>	<b><u>(137,867)</u></b>
<b>Deficit/(Surplus) on the Provision of Services before Intra Group funding</b>	<b><u>(126,920)</u></b>	<b><u>526</u></b>	<b><u>(126,395)</u></b>
Intra-group funding	131,838	-	131,838
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>4,917</u></b>	<b><u>526</u></b>	<b><u>5,443</u></b>

## 7. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a mechanism to set aside revenue funds for the redemption of debt. The Local Authorities (Capital Finance and Accounting) Regulations 2012 are issued under Section 21 of the Local Government Act 2003 and now allow authorities a variety of options in calculating their MRP. The options chosen were that MRP calculated using Option 2 be used for capital expenditure up to and including 31 March 2008, and Option 3 for all capital expenditure thereafter using the equal instalment method. Option 3 results in MRP charged in equal annual instalments over the asset's remaining useful life. Accounting for PFIs and Finance Leases require that on balance sheet assets are also funded through MRP, the amount charged is equivalent to the capital element of the liability repaid during the year. The total amount charged to MRP in 2016/17 was £695k (2015/16 - £665k).

## 8. Government Grants

The Group credited the following grants and contributions to the CIES during the year:

	Amount receivable for 16/17 £000	Amount receivable for 15/16 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
General police grant	40,724	40,957
Council tax support grant	4,891	4,891
Council tax freeze grant	1,895	1,895
Capital grants and contributions	923	994
Non-domestic rate redistribution	22,867	22,998
Precepts	42,340	41,069
	<b>113,639</b>	<b>112,803</b>
<b>Credited to Other Operating Expenditure</b>		
Home Office contribution to police pensions	19,111	20,929
	<b>19,111</b>	<b>20,929</b>
<b>Credited to Services</b>		
Police incentivisation	256	333
Counter terrorism	206	80
PFI grant	2,733	2,734
Other specific grants	1,572	1,677
	<b>4,767</b>	<b>4,824</b>

The PCC credited the following grants and contributions to the CIES during the year:

	<b>Amount receivable for 16/17 £000</b>	<b>Amount receivable for 15/16 Restated £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
General police grant	40,724	40,957
Council tax support grant	4,891	4,891
Council tax freeze grant	1,895	1,895
Capital grants and contributions	923	994
Non-domestic rate redistribution	22,867	22,998
Precepts	42,340	41,069
	<u><b>113,639</b></u>	<u><b>112,803</b></u>
<b>Credited to Other Operating Expenditure</b>		
Home Office contribution to police pensions	19,111	20,929
	<u><b>19,111</b></u>	<u><b>20,929</b></u>
<b>Credited to Services</b>		
Police incentivisation	-	-
Counter terrorism	-	-
PFI grant	2,733	2,734
Other specific grants	873	818
	<u><b>3,606</b></u>	<u><b>3,552</b></u>

The PCC has received one grant that has yet to be recognised as income as it has conditions attached to it that will require the monies to be returned to the provider if not met. The balances at the year-end are as follows:

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Capital Grants Receipts in Advance</b>		
Mobile data grant	126	214
	<u><b>126</b></u>	<u><b>214</b></u>

## 9. Employees' Remuneration

The numbers of employees and senior police officers whose remuneration exceeded £50k in 2016/17 were as follows:

	GROUP		OPCC	
	2016/17	2015/16	2016/17	2015/16
<b>Remuneration</b>				
£50,000 - £54,999	5	11	-	-
£55,000 - £59,999	5	4	-	-
£60,000 - £64,999	-	1	-	-
£65,000 - £69,999	1	1	-	1
£70,000 - £74,999	3	1	1	-
£75,000 - £79,999	-	2	-	1
£80,000 - £84,999	2	2	1	-
£85,000 - £89,999	1	1	-	0.44
£90,000 - £94,999	2	-	0.50	-
£95,000 - £99,999	-	1	-	-
£100,000 - £104,999	1	-	-	-
£105,000 - £109,999	1	2	1	1
£110,000 - £114,999	1	-	-	-
£125,000 - £129,999	1	1	-	-
£130,000 - £134,999	-	1	-	-
£145,000 - £149,999	1	-	-	-

"Remuneration" is defined, by regulation, as "all amounts paid to or receivable by an employee and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash."

Within the £90,000 - £94,999 band for the OPCC, 0.5 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.5 relates to the PCC share of the FTE based on apportionment of salary.

In addition to the above the Accounts and Audit Regulations in 2015 requires a detailed disclosure of employees' remuneration for relevant senior police officers, certain statutory and non-statutory chief officers and other persons with a responsibility for management of the PCC. The officers listed in the following table are included in the above banding disclosure note.



	Salaries	Employers		Benefits in Kind	Expenses	Total
	Fees and Allowances	Bonuses	Pension Contributions			
	£000	£000	£000	£000	£000	£000
<b>2016/17</b>						
<b>Position held</b>						
Chief Constable - Mr Wilson	143	-	33	-	4	180
Temporary Deputy Chief Constable	119	-	9	-	6	134
Assistant Chief Constable - Mrs Kearton	105	-	24	-	30	159
Temporary Assistant Chief Constable (appointed 07.09.16)	96	-	22	-	3	121
Chief Finance Officer (CC) - 0.5 FTE	50	-	10	-	-	60
Police and Crime Commissioner	70	-	16	-	-	86
Chief Executive (PCC)	107	-	25	-	-	132
Deputy Chief Executive (PCC)	80	-	19	-	-	99
Chief Finance Officer (PCC) - 0.5 FTE	40	-	10	-	-	50
<b>2015/16</b>						
<b>Position held</b>						
Chief Constable (retired 30 Nov 2015)	103	-	28	-	4	135
Chief Constable - Mr Wilson ((appointed 8.1.16) temporary from 24.2.15 to 7.1.16)	126	-	29	-	4	159
Temporary Deputy Chief Constable - Mr Jupp (Appointed 27.4.15)	109	-	25	-	31	165
Temporary Assistant Chief Constable (From 19.7.14 to 30.9.15)	53	-	11	-	4	68
Assistant Chief Constable (Appointed 7.9.15)	57	-	13	-	3	73
Chief Finance Officer (CC) - 0.56 FTE (Appointed 1.5.15)	46	-	9	-	-	55
Police and Crime Commissioner	70	-	16	-	1	87
Chief Executive (PCC)	106	-	24	-	-	130
Deputy Chief Executive (PCC)	80	-	18	-	-	98
Chief Finance Officer (PCC) - 0.44 FTE	42	-	11	-	-	53

In addition to the posts identified above, a chief officer from Norfolk Constabulary acted as Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies until 7 September 2016, a contribution of £27.4k was paid to Norfolk Constabulary in respect of this officer. From 7 September 2016 a Suffolk Officer acted as a Temporary Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies, a contribution of £40.6k was recovered from Norfolk Constabulary in respect of this officer.

The Regulations also require disclosure of compensation for loss of employment and other payments to relevant police officers. No amounts were paid to the above officers in respect of these categories.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit Package Cost Band including Special Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £20,000	4	38	-	-	4	38	43	385
£20,001 - £40,000	1	14	-	-	1	14	21	363
£40,001 - £60,000	-	1	-	-	-	1	-	51
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	5	-	-	-	5	-	464
	<u>5</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>58</u>	<u>64</u>	<u>1,263</u>

## 10. Related Parties Transactions

The PCC is required to disclose material transactions with bodies or individuals that have the potential to control or influence the PCC or to be controlled or influenced by the PCC.

During 2016/17 there were no material related party transactions involving officers of the PCC or senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 9 of these financial statements. The PCC and other senior officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the PCC, it is responsible for providing the statutory framework within which the PCC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the PCC has with other parties. Income from central government is set out in Note 8 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements; these are fully disclosed in Note 33.

No other material transactions with related parties have been entered into except where disclosed elsewhere in the accounts.

## 11. Council Tax

The Suffolk district and borough councils are required to collect the amount of council tax determined by the PCC for policing the county. In 2016/17 the precept, including the estimated 2015/16 collection fund surplus/(deficit) was paid to the PCC during the year and amounted to £42.7m distributed as shown below. The Code of Practice now requires that Council Tax income included in the CIES for the year should be prepared on an accruals basis. The cash received from the billing authorities is therefore adjusted for the PCC's share of the outturn opening and closing balances on the Collection Fund. These adjustments are however then taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS to ensure that only the statutory amount is credited to the General Fund. The figures credited to the CIES are broken down as follows:

2015/16 £000	Received	Outturn surplus/(deficit)		Total 2016/17 £000
	from Billing Authority £000	on Collection Fund at 31.3.16 £000	31.3.17 £000	
5,404 Babergh District Council	5,615	71	15	5,559
2,875 Forest Heath District Council	3,026	42	31	3,016
6,340 Ipswich Borough Council	6,529	189	239	6,579
6,068 Mid Suffolk District Council	6,222	144	69	6,147
6,148 St Edmundsbury Borough Council	6,341	203	158	6,296
8,195 Suffolk Coastal District Council	8,632	365	231	8,498
6,039 Waveney District Council	6,354	244	134	6,244
<b>41,069</b>	<b>42,720</b>	<b>1,258</b>	<b>878</b>	<b>42,340</b>

The Code of Practice also requires the PCC to account for its share of net council tax arrears and prepayments within the Balance Sheet. This is offset within the Balance Sheet by an associated balance that reflects the difference between the net attributable share of cash received by the billing authorities from council tax debtors/creditors and the amounts paid to the PCC. The amounts owed to/from billing authorities in respect of council tax at the year-end were as follows:

Balance at 31.3.16 £000	Collection			Balance at 31.3.17 £000
	Fund £000	Net Arrears £000	Prepayments £000	
29 Babergh District Council	(15)	99	(23)	61
(16) Forest Heath District Council	(31)	94	(99)	(36)
29 Ipswich Borough Council	(239)	265	(60)	(34)
(32) Mid Suffolk District Council	(69)	112	(24)	19
(192) St Edmundsbury Borough Council	(158)	122	(142)	(178)
(417) Suffolk Coastal District Council	(231)	124	(224)	(332)
(186) Waveney District Council	(134)	224	(182)	(93)
	<u>(784)</u>	<u>1,040</u>	<u>(755)</u>	<u>(593)</u>

## 12. External Audit Fees

The Group fees payable in respect of external audit services were as follows:-

2015/16 £000		2016/17 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts:	
33	The PCC for Suffolk	32
15	The Chief Constable of Suffolk	15
<u>48</u>		<u>48</u>

The PCC fees payable in respect of external audit services are identified separately in the above table.

The 2016/17 audit fees include an amount of £1.1k, split between the PCC and CC, in respect of 2015/16 which had not been provided for but had been an approved increase to the original scale fees.

No fees have been payable to the external auditors for non-audit work.

### 13. Non-Current Assets

Movements in 2016/17	Land and buildings £000	Vehicles plant and equipment £000	Assets under construction £000	Surplus Assets £000	Total £000
<b><u>Property, Plant &amp; Equipment</u></b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.16	51,060	27,277	480	-	78,816
Reclassifications	(514)	-	(23)	-	(537)
Additions	137	2,478	925	-	3,540
Derecognition - disposals	(41)	(1,678)	(87)	-	(1,805)
Revaluation gains/(losses) recognised in the CIES	(5,579)	-	-	-	(5,579)
Net revaluation gains/(losses) recognised in the Revaluation reserve	2,863	-	-	-	2,863
<b>Balance at 31.3.17</b>	<b>47,926</b>	<b>28,077</b>	<b>1,295</b>	<b>-</b>	<b>77,298</b>
<b>Depreciation and impairments</b>					
Balance at 1.4.16	4,797	18,624	1	-	23,421
Reclassifications	(1)	-	-	-	(1)
Revaluations	(3,015)	-	-	-	(3,015)
Derecognition - disposals	(41)	(1,403)	(1)	-	(1,444)
Depreciation for the year	1,651	2,539	-	-	4,190
<b>Balance at 31.3.17</b>	<b>3,391</b>	<b>19,760</b>	<b>-</b>	<b>-</b>	<b>23,151</b>
Net book value at 31.3.16	46,264	8,653	479	-	55,395
<b>Net book value at 31.3.17</b>	<b>44,534</b>	<b>8,318</b>	<b>1,295</b>	<b>-</b>	<b>54,147</b>
					<b>Software Licences £000</b>
<b><u>Purchased intangible assets</u></b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.16					6,153
Reclassifications					23
Additions					156
Derecognition - disposals					(2)
<b>Balance at 31.3.17</b>					<b>6,329</b>
<b>Amortisation</b>					
Balance at 1.4.16					1,962
Reclassifications					-
Amortisation for the year					833
Derecognition - disposals					(2)
<b>Balance at 31.3.17</b>					<b>2,793</b>
Net book value at 31.3.16					4,190
<b>Net book value at 31.3.17</b>					<b>3,536</b>

Movements in 2015/16	Land and buildings £000	Vehicles plant and equipment £000	Assets under construction £000	Surplus Assets £000	Total £000
<b><u>Property, Plant &amp; Equipment</u></b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.15	50,586	26,156	2,562	-	79,304
Reclassifications	406	(21)	(2,224)	-	(1,839)
Additions	162	2,006	141	-	2,309
Derecognition - disposals	(91)	(865)	-	-	(956)
Revaluation gains/(losses) recognised in the CIES	(225)	-	-	-	(225)
Net revaluation gains/(losses) recognised in the Revaluation reserve	222	-	-	-	222
<b>Balance at 31.3.16</b>	<b>51,061</b>	<b>27,277</b>	<b>480</b>	<b>-</b>	<b>78,816</b>
<b>Depreciation and impairments</b>					
Balance at 1.4.15	3,502	16,895	-	-	20,397
Reclassifications	-	(21)	(25)	-	(45)
Revaluations	(128)	-	-	-	(128)
Derecognition - disposals	(6)	(726)	-	-	(732)
Depreciation for the year	1,429	2,476	26	-	3,931
<b>Balance at 31.3.16</b>	<b>4,797</b>	<b>18,624</b>	<b>1</b>	<b>-</b>	<b>23,421</b>
Net book value at 31.3.15	47,084	9,262	2,562	-	58,908
<b>Net book value at 31.3.16</b>	<b>46,264</b>	<b>8,653</b>	<b>479</b>	<b>-</b>	<b>55,395</b>

	Software Licences £000
<b><u>Purchased intangible assets</u></b>	
<b>Historic cost or revaluation</b>	
Balance at 1.4.15	3,385
Reclassifications	1,839
Additions	929
Derecognition - disposals	-
<b>Balance at 31.3.16</b>	<b>6,153</b>
<b>Amortisation</b>	
Balance at 1.4.15	1,235
Reclassifications	45
Amortisation for the year	681
Derecognition - disposals	-
<b>Balance at 31.3.16</b>	<b>1,962</b>
Net book value at 31.3.15	2,149
<b>Net book value at 31.3.16</b>	<b>4,190</b>

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on major IT projects and development of operational buildings.

Included in land and buildings is land at Bury St Edmunds on which a Police Investigation Centre (PIC) has been built. Although the PCC has legal title to the land, it only owns 70% of the beneficial interest in the land, the remaining 30% is owned by Norfolk PCC, who are co-occupiers of the centre. Therefore only 70% of the current value of the land is included in the table above, amounting to £1.10m. The PCC also paid 50% of the cost of land purchased by Norfolk PCC at Great Yarmouth, the current value of this land in the balance sheet amounts to £370k net of impairment.

The depreciation and amortisation policy is set out in Note 1. Assets have been depreciated on a straight-line basis over their economic useful lives.

## 14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2016/17 are set out below.

2015/16 £000		2016/17 £000
36,553	Opening capital financing requirement	35,861
(27)	Opening balance restatement	
	<b>Capital investment</b>	
929	Intangible fixed assets	156
2,168	Operational assets	2,615
141	Non operational assets	925
	<b>Sources of finance</b>	
(1,247)	Capital receipts applied	(263)
(1,014)	Government grants and other contributions	(644)
(977)	Direct Revenue Contributions	(2,043)
(665)	Revenue provision including MRP	(695)
<u>35,861</u>	<b>Closing capital financing requirement</b>	<u>35,911</u>
	<b>Explanation of movements in year</b>	
(692)	Increase/(decrease) in underlying need to borrow	50
<u>(692)</u>	<b>Increase/(decrease) in capital financing requirement</b>	<u>50</u>

## 15. Non-Current Asset Valuation

### Land and Buildings

The freehold and leasehold properties of the PCC's property portfolio are individually valued as part of a rolling 5 year programme. The valuations, which are carried out by the PCC's professional advisors, Carter Jonas who are property consultants, are in accordance with their appraisal and valuation manual. Their valuer is a qualified member of the Royal Institute of Chartered Surveyors (RICS).

In order to calculate buildings depreciation the valuers have provided separate valuations for the land and building elements of each property valuation. The valuers also provide an estimate of the remaining economic useful life of the assets. They are also asked to carry out an impairment assessment of the remaining properties on which no formal valuation was carried out in the year.

Plant and machinery which are part of the building or property (for example, central heating systems) have been included in valuations. This is in accordance with appendices to Practice Statements of the RICS appraisal valuation manual. Moveable plant, machinery, fixtures and fittings, which do not form part of the building, have been excluded from the valuations of land and buildings.

Non specialised operational properties were valued on the basis of existing use value (EUV). Specialised

operational properties should also be valued on an EUV basis, or where this could not be assessed because there was no market for the subject asset, they were valued according to the depreciated replacement cost.

### Vehicles, Plant and Equipment and Software Licences

Vehicles, plant and equipment and software licences are valued at depreciated historic cost as a proxy for depreciated replacement cost. The breakdown of current value by valuation basis at the year-end is as follows:

	Other Land and buildings £000	Vehicles plant and equipment £000	Assets under con- -struction £000	Surplus Assets £000	Total £000
<b>Carried at historical cost</b>	995	8,318	1,295	-	10,608
<b>Valued at fair value at:</b>					
1 October 2016	21,571				21,571
1 October 2015	1,889				1,889
3 October 2014	10,944				10,944
31 March 2014	759				759
1 October 2013	4,863				4,863
1 October 2012	3,509				3,509
31 March 2011	5	-	-	-	5
<b>Balance at 31.3.17</b>	<b>44,534</b>	<b>8,318</b>	<b>1,295</b>	<b>-</b>	<b>54,147</b>

## 16. Private Finance Initiative (PFI)

On 23 February 2010 Norfolk and Suffolk Police Authorities signed a 30 year PFI contract to construct and operate six Police Investigation Centres (PICs) within the two counties. Three of the PICs are shared, two between Norfolk and Suffolk and one between Norfolk and Cambridgeshire. In addition Norfolk operates a further two sites and Suffolk a further one. The land percentage splits on the Norfolk and Suffolk shared sites and the associated land values are disclosed in Note 13.

Norfolk and Suffolk PCCs are committed to making payments under the contract for the financial years 2010/11 to 2040/41. The actual payment split between the two counties will depend on site allocation and associated service delivery. The first PIC became operational on 28 February 2011 at Aylsham, Norfolk. The remaining PICs became operational in 2011/12.

Under the contract the PCC shares in the benefits and obligations arising from the contractual assets on a pre-determined percentage based on the number of cells assigned to each force. A summary of the sites, their initial contract capital values and the respective PCC interest in each site is shown in the following table:

Sites and opening dates	Norfolk Cells	Suffolk Cells	Capital	Historic Cost in Suffolk	
			Contract Value £000	31.3.17 £000	31.3.16 £000
Aylsham - 28.2.11	8	-	6,967	-	-
Wymondham - 4.4.11	30	-	11,398	-	-
Kings Lynn - 25.4.11	24	-	10,749	-	-
Ipswich - 6.6.11	-	30	12,012	12,012	12,012
Bury St Edmunds - 4.7.11	8	16	10,621	7,081	7,081
Gt Yarmouth - 7.11.11	15	15	12,680	6,340	6,340
	<b>85</b>	<b>61</b>	<b>64,427</b>	<b>25,433</b>	<b>25,433</b>

The PCC makes an agreed payment each year, which can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed, however 31.5% of the charge is increased annually by inflation (RPIX). Suffolk's share of the estimated payments remaining to be made under the PFI contract at 31 March 2017 (excluding availability/performance deductions) are as follows:

	<b>Revenue Services £000</b>	<b>Capital Payments £000</b>	<b>Interest £000</b>	<b>Contingent Rent £000</b>	<b>Total £000</b>
Payable in 2017/18	1,294	327	2,046	104	3,771
Payable within two to five years	5,736	1,616	7,879	214	15,445
Payable within six to ten years	8,310	2,937	8,933	3	20,183
Payable within eleven to fifteen years	9,445	4,437	7,433	(40)	21,275
Payable within sixteen to twenty years	10,164	6,703	5,167	477	22,511
Payable within twenty one to twenty five years	9,461	7,770	1,726	(363)	18,594
	<b>44,410</b>	<b>23,790</b>	<b>33,184</b>	<b>395</b>	<b>101,779</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital remains to be reimbursed.

The capital liability on the Suffolk PCC Balance Sheet at the year end up is made up as follows:

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Balance outstanding at the beginning of the year	24,092	24,369
Capital repayments during the year	(301)	(278)
Capital expenditure incurred in the year	-	-
Other movements	-	-
Balance outstanding at year end	<b>23,790</b>	<b>24,092</b>

The net book value of the assets capitalised as part of the PFI contract is made up as follows:

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Net book value at the beginning of the year	16,353	16,832
Depreciation during the year	(713)	(479)
Revaluations during the year	2,523	-
Net book value at the end of the year	<b>18,164</b>	<b>16,353</b>



## 17. Retirement Benefits

### Participation in pension schemes

Pension and other benefits are available to all PCC and Constabulary personnel under the requirements of statutory regulations. Four defined benefit pension schemes are operated:

- a) The Local Government Pension Scheme (LGPS) for PCC and Constabulary police staff, administered by Suffolk County Council - this is a funded defined benefit scheme, meaning that the office holders and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets.

From April 2014 the LGPS changed to a career average defined benefit scheme, so that benefits accrued are worked out using the employee's pay each scheme year rather than the final salary. This applies to all membership which builds up from 1 April 2014, but all pensions in payment or built up before April 2014 are protected. Employee contributions are determined by reference to actual pensionable pay and are tiered between 5.5% and 12.5%.

- b) The Police Pension Scheme (PPS) for police officers who joined before April 2006. The Employee contributions are 14.25%-15.05% of salary and maximum benefits are achieved after 30 years' service. Contribution rates are dependent on salary.
- c) The New Police Pension Scheme (NPPS) for police officers who either joined from April 2006 or transferred from the PPS. The employee contributions are 11.00% - 12.75% of salary and maximum benefits are achieved after 35 years' service. Contribution rates are dependent on salary.
- d) The Police Pension Scheme 2015 Scheme for police officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from the PPS or NPPS. The employee contributions are 12.44% - 13.78% of salary and the Normal Pension Age is 60 although there are protections for eligible officers to retire earlier. Contribution rates are dependent on salary.

All police pension schemes are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet pension liabilities. There is a Home Office requirement to charge the CIES with an employer's contribution of 24.2% of pensionable pay, the CIES also meets the costs of injury awards and the capital value of ill-health benefits. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2015 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

The PCC is also required to maintain a Police Pension Fund Account. Employer and employee contributions are credited to the account together with the capital value of ill-health retirements and transfer values received. Pensions and other benefits (except injury awards) and transfer values paid are charged to this account. If the account is in deficit at 31 March in any year, the Home Office pays a top-up grant to cover it. If there is a surplus on the account, then that has to be paid to the Home Office.

The PCC has agreed a policy for calculating the budget provisions necessary to cover the costs chargeable to the CIES, and the level of the Ill Health/Injury Benefits Reserve. This reserve provides protection against costs above the amount provided in the revenue budget.

### Transactions relating to post-employment benefits

The cost of retirement benefits are recognised in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of benefits is reversed out of the General Fund in the MIRS.

The note below contains details of the Group's operation of the Local Government Pension Scheme (administered by Suffolk County Council) and the Police Pension Schemes in providing police staff and police

officers with retirement benefits. In addition, the Group has arrangements for the payment of discretionary benefits to certain retired employees outside of the provisions of the schemes. The following transactions have been made in the CIES and the General Fund via the MIRS during the year:

Group:

	LGPS		Police Schemes	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	5,797	7,216	21,500	24,456
Past service costs	69	535	81	315
<b>Financing and investment income and expenditure</b>				
Net interest expense	1,456	1,911	38,242	38,820
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service</b>	<b>7,322</b>	<b>9,662</b>	<b>59,823</b>	<b>63,591</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(13,114)	2,245	9	24
- Actuarial gains/losses arising from changes in demographic assumptions	(1,630)	-	7,386	(3,223)
- Actuarial gains/losses arising from changes in financial assumptions	29,530	(21,597)	230,271	(118,396)
- Other	(10,923)	(1,019)	(92,810)	(27,856)
	3,863	(20,371)	144,856	(149,451)
<b>Total post employment benefit charged to the CIES</b>	<b>11,185</b>	<b>(10,709)</b>	<b>204,679</b>	<b>(85,860)</b>
<b>Movement in Reserves Statement (MIRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	(11,185)	10,709	(204,679)	85,860
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	5,490	6,236	-	-
Retirement benefits payable to pensioners	-	-	30,086	31,923
<b>Net charge to the General Fund</b>	<b>5,490</b>	<b>6,236</b>	<b>30,086</b>	<b>31,923</b>

PCC:

	<u>LGPS</u>		<u>Police Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	165	173	-	-
Past service costs	-	-	-	-
<b>Financing and investment income and expenditure</b>				
Net interest expense	26	30	-	-
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service</b>	<b>191</b>	<b>203</b>	<b>-</b>	<b>-</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(192)	35	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	(22)	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	420	(368)	-	-
- Other	(866)	665	-	-
	(660)	332	-	-
<b>Total post employment benefit charged to the CIES</b>	<b>(469)</b>	<b>535</b>	<b>-</b>	<b>-</b>
<b>Movement in Reserves Statement (MIRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	469	(535)	-	-
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	116	117	-	-
Retirement benefits payable to pensioners				
<b>Net charge to the General Fund</b>	<b>116</b>	<b>117</b>	<b>-</b>	<b>-</b>

## Assets and liabilities in relation to retirement benefits

Group:

	<u>Local Government Pension Scheme</u>		<u>Police Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Present value of liabilities	(214,236)	(187,172)	(1,271,240)	(1,096,648)
Fair value of plan assets	166,490	145,121	-	-
<b>Total Net Liabilities</b>	<b>(47,746)</b>	<b>(42,051)</b>	<b>(1,271,240)</b>	<b>(1,096,648)</b>

PCC:

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Present value of liabilities	(3,562)	(3,697)	-	-
Fair value of plan assets	2,788	2,338	-	-
<b>Total Net liabilities</b>	<b>(774)</b>	<b>(1,359)</b>	<b>-</b>	<b>-</b>

### Reconciliation of present value of the scheme liabilities

Group:

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening Balance at 1 April	187,172	197,634	1,096,648	1,214,431
Current service cost	5,797	7,216	21,500	24,456
Interest cost	6,579	6,408	38,242	38,820
Contributions by scheme participants	1,492	1,586	5,582	5,512
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(1,630)	-	7,386	(3,223)
- Actuarial gains/losses arising from changes in financial assumptions	29,530	(21,597)	230,271	(118,396)
- Other	(10,999)	(988)	(92,810)	(27,856)
Past service costs	69	535	81	315
Benefits Paid	(3,774)	(3,622)	(35,659)	(37,411)
<b>Closing Balance at 31 March</b>	<b>214,236</b>	<b>187,172</b>	<b>1,271,240</b>	<b>1,096,648</b>

PCC:

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening Balance at 1 April	3,697	3,079	-	-
Current service cost	165	173	-	-
Interest cost	111	101	-	-
Contributions by scheme participants	50	47	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(22)	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	420	(368)	-	-
- Other	(851)	704	-	-
Past service costs		-	-	-
Benefits Paid	(8)	(39)	-	-
<b>Closing Balance at 31 March</b>	<b>3,562</b>	<b>3,697</b>	<b>-</b>	<b>-</b>

#### Reconciliation of fair value of the scheme assets

Group:

	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	145,121	138,638	-	-
Interest Income	5,123	4,497	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	13,114	(2,245)	(9)	(24)
Other	(76)	31	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	5,490	6,236	30,086	31,923
Contributions from employees into the scheme	1,492	1,586	5,582	5,512
Benefits paid	(3,774)	(3,622)	(35,659)	(37,411)
<b>Closing fair value of Scheme Assets</b>	<b>166,490</b>	<b>145,121</b>	<b>-</b>	<b>-</b>

PCC:

	Funded Assets		Unfunded Assets	
	Local Government Pension Scheme		Police Pension Schemes	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	2,338	2,138	-	-
Interest Income	85	71	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	192	(35)	-	-
Other	15	39	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	116	117	-	-
Contributions from employees into the scheme	50	47	-	-
Benefits paid	(8)	(39)	-	-
<b>Closing fair value of Scheme Assets</b>	<b>2,788</b>	<b>2,338</b>	<b>-</b>	<b>-</b>

#### Total of Assets and Liabilities of the schemes

Group:

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
	Opening Balance at 1 April	(42,051)	(58,996)	(1,096,648)
Current service cost	(5,797)	(7,216)	(21,500)	(24,456)
Interest cost	(1,456)	(1,911)	(38,242)	(38,820)
Return on plan assets (excluding the amount included in the net interest expense)	13,114	(2,245)	(9)	(24)
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	1,630	-	(7,386)	3,223
- Actuarial gains/losses arising from changes in financial assumptions	(29,530)	21,597	(230,271)	118,396
- Other	10,923	1,019	92,810	27,856
Past service costs	(69)	(535)	(81)	(315)
Contributions from Employers	5,490	6,236	30,086	31,923
<b>Closing Balance at 31 March</b>	<b>(47,746)</b>	<b>(42,051)</b>	<b>(1,271,240)</b>	<b>(1,096,648)</b>

PCC:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening Balance at 1 April	(1,359)	(941)	-	-
Current service cost	(165)	(173)	-	-
Interest cost	(26)	(30)	-	-
Return on plan assets (excluding the amount included in the net interest expense)	192	(35)	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	22	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(420)	368	-	-
- Other	866	(665)	-	-
Past service costs	-	-	-	-
Contributions from Employers	116	117	-	-
<b>Closing Balance at 31 March</b>	<b>(774)</b>	<b>(1,359)</b>	<b>-</b>	<b>-</b>

The total net pension liabilities of £1,319m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,284.3m (page 19). However, the financial position of the PCC remains sound as the liabilities will be spread over many years as follows:

- the net liability on the local government scheme will be covered by contributions over the remaining working life of employees, as assessed by the scheme actuary.
- the net costs of police pensions which are the responsibility of the PCC will be covered by provision in the revenue budget and any costs above that level will be funded by the Home Office, under the change which came into effect from April 2006.

Actuarial losses on scheme assets represent the difference between the actual and expected return on assets, actuarial gains on scheme liabilities arise from more favourable financial assumptions.

The County Council is required to have a funding strategy for elimination of deficits, under regulations effective from 1 April 2005. The strategy allows deficits to be cleared over periods up to 20 years.

The Police Pension Schemes have no assets to cover their liabilities. The Group's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the categories in the following table.

	Fair Value of Scheme Assets	
	31 March	31 March
	2017	2016
	£000	£000
Cash and Cash Equivalents	3,431	1,210
Equity Instruments - industry type:		
- Consumer	14,551	11,261
- Manufacturing	4,520	4,335
- Energy and utilities	3,034	1,590
- Financial Institutions	5,671	6,009
- Health and Care	4,743	4,888
- Information Technology	5,944	3,885
- Other	2,072	1,617
Sub total Equity	<b>40,535</b>	<b>33,585</b>
Bonds - by Sector		
- Corporate	24,319	23,026
- Other	7,032	5,368
Sub total Bonds	<b>31,351</b>	<b>28,393</b>
Property - by type		
- UK Property	15,508	15,849
Sub total Property	<b>15,508</b>	<b>15,849</b>
Private equity - all:	<b>5,370</b>	<b>4,486</b>
Other Investment funds:		
- Equities	49,851	5,452
- Bonds	-	3,658
- Hedge Funds	5,079	-
- Commodities	-	38,903
- Infrastructure	3,797	13,033
- Other	11,519	-
Sub total Other Investment Funds	<b>70,246</b>	<b>61,045</b>
Derivatives:		
- Foreign Exchange	49	130
Sub total Derivatives	<b>49</b>	<b>130</b>
<b>Total Assets</b>	<b>166,489</b>	<b>144,698</b>

The PCC's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories:



	Fair Value of Scheme Assets	
	31 March	31 March
	2017	2016
	£000	£000
Cash and Cash Equivalents	57	20
Equity Instruments - industry type:		
- Consumer	244	182
- Manufacturing	76	70
- Energy and utilities	51	26
- Financial Institutions	95	97
- Health and Care	79	79
- Information Technology	100	63
- Other	35	26
Sub total Equity	<u>679</u>	<u>543</u>
Bonds - by Sector		
- Corporate	407	372
- Other	118	87
Sub total Bonds	<u>525</u>	<u>459</u>
Property - by type		
- UK Property	260	256
Sub total Property	<u>260</u>	<u>256</u>
Private equity - all:	90	73
Other Investment funds:		
- Equities	835	88
- Bonds	-	59
- Hedge Funds	85	-
- Commodities	-	629
- Infrastructure	64	211
- Other	193	-
Sub total Other Investment Funds	<u>1,176</u>	<u>987</u>
Derivatives:		
- Foreign Exchange	1	2
Sub total Derivatives	<u>1</u>	<u>2</u>
<b>Total Assets</b>	<u><u>2,787</u></u>	<u><u>2,338</u></u>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Within the Police Schemes, the age profile of the active membership is not rising significantly, which means that the current service cost in future years will not rise significantly as a result of using the projected unit credit method.

Both the Police Schemes and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The actuary has confirmed that for police staff, there is no reason to believe

that the age profile is rising significantly. The main assumptions used in their calculations are shown below.

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17	2015/16	2016/17	2015/16
Mortality assumptions:				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	21.9	22.4	30.2	29.5
Women	24.4	24.4	31.7	31.7
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	23.9	24.3	31.6	31.1
Women	26.4	26.9	33.2	33.2
Rate of inflation (CPI - LGPS and RPI - PPS)	2.4%	2.2%	3.4%	3.2%
Rate of increase in salaries	2.7%	4.2%	3.4%	4.3%
Rate of increase in pensions	2.4%	2.2%	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	3.5%	2.6%	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions of longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analyses below did not change from those used in the previous period.

Group:

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	11.0%	24,114	10.0%	124,757
1 year increase in member life expectancy	3-5%	7,696-12,826	3.0%	38,054
0.5% increase in the Salary Increase Rate	2.5%	5,164	2.0%	20,270
0.5% increase in the Pension Increase Rate	8.5%	18,530	8.0%	102,614

PCC:

	<u>Local Government Pension Scheme</u>		<u>Police Pension Schemes</u>	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	11.0%	378		
1 year increase in member life expectancy	3-5%	101-168		
0.5% increase in the Salary Increase Rate	3.0%	101		
0.5% increase in the Pension Increase Rate	8.0%	269		

### Impact on the Group's cashflow

The objectives of the LGPS scheme, as set out in the funding strategy statement, are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The minimum employer contributions payable over the next year for the PCC for Suffolk is 23.2%. The last triennial valuation was dated 31 March 2016.

Estimated employer's contributions for 2017/18 amount to £5.4m on the LGPS and £20.6m on the Police schemes.

### Maturity profile of the defined benefit obligation:

Group:

	<u>LGPS</u>			<u>Police Pension Schemes</u>		
	Funded Liability split as at 31 March 2017 £000	Funded Liability split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation	Liability split as at 31 March 2017 £000	Liability split as at 31 March 2017 %	Weighted average duration of the defined benefit obligation
Active members	117,038	54.8%	25.7	520,431	42.7%	25.8
Deferred members	37,945	17.8%	26.5	58,784	4.8%	25.8
Pensioner members	58,559	27.4%	11.7	639,517	52.5%	12.2
<b>Total</b>	<b>213,542</b>	<b>100%</b>	<b>21.0</b>	<b>1,218,732</b>	<b>100%</b>	<b>19</b>
Contingent Injuries				26,021	49.6%	25.8
Injury Pension Liabilities				26,487	50.4%	13.2
<b>Total</b>				<b>52,508</b>	<b>100%</b>	<b>20</b>

PCC:

<b>LGPS</b>			
	<b>Funded Liability split as at 31 March 2017</b>	<b>Liability split as at 31 March 2017</b>	<b>Weighted Average Duration at Previous Formal Valuation</b>
	<b>£000</b>	<b>%</b>	
Active members	3,561	100.0%	21.4
Deferred members	0	0.0%	0.0
Pensioner members	0	0.0%	0.0
<b>Total</b>	<b>3,561</b>	<b>100%</b>	<b>21.4</b>

## 18. Short-Term Investments

Surplus cash is invested for periods of up to one year in accordance with the approved treasury management policy. At 31 March 2017 temporary lending comprised:

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Money market and temporary cash deposits</b>		
Banks	6,000	1,004
Building societies	-	5,023
Local Authorities	2,001	1,002
Other	-	-
<b>Total temporary lending</b>	<b>8,001</b>	<b>7,028</b>
<b>Represented by:</b>		
Cash and cash equivalents	-	-
Short term investments	8,001	7,028

## 19. Debtors and Prepayments

	2016/17 £000	2015/16 £000
<b>Short term debtors:</b>		
Central government bodies (includes pension top up grant)	5,717	4,908
Other local authorities	2,713	2,835
NHS Bodies	190	11
Other entities and individuals	1,182	1,395
Prepayments	2,929	1,002
<b>Balance at 31 March</b>	<b>12,731</b>	<b>10,151</b>
<b>Long term debtors:</b>		
Other local authorities	1,148	1,309

Long term debtors of £1.15m (2015/16 - £1.31m) relate to an amount due from West Yorkshire Police in respect of the airframe transferred to NPAS in 2012.

## 20. Cash and Cash Equivalents

	2016/17 £000	2015/16 £000
Imprest accounts	50	50
Bank current accounts	22	1,087
Instant access deposits with banks	797	3,546
Deposit with a maturity date less than 3 months from acquisition	-	-
<b>Balance at 31 March</b>	<b>869</b>	<b>4,683</b>

## 21. Assets Held for Sale

	Current		Non-current	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Balance at 1 April</b>	-	734	-	-
<b>Assets newly classified as held for sale:</b>				
Property, plant and equipment	513	-	-	-
<b>Assets declassified as held for sale:</b>				
Property, plant and equipment	-	-	-	-
<b>Assets sold</b>	-	(734)	-	-
<b>Balance at 31 March</b>	<b>513</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 22. Creditors

Group:

	2016/17	2015/16
	£000	£000
<b>Short term creditors:</b>		
Central government bodies	2,223	1,805
Other local authorities	2,648	2,885
NHS Bodies	263	56
Other entities and individuals	5,641	5,075
<b>Balance at 31 March</b>	<b>10,776</b>	<b>9,821</b>

PCC:

	2016/17	2015/16
	£000	£000
<b>Short term creditors:</b>		
Central government bodies	2,223	1,805
Other local authorities	2,648	2,885
NHS Bodies	263	56
Other entities and individuals	4,911	4,367
<b>Balance at 31 March</b>	<b>10,047</b>	<b>9,113</b>

## 23. Contingent Liabilities

### MMI Ltd

The insurance company Municipal Mutual Insurance Limited (MMI) ceased trading in 1992 and ceased to write new or renew policies. Potentially claims can still be received as the company continues to settle outstanding liabilities. A scheme of arrangement is in place, however this arrangement will not meet the full liability of all claims and a current levy of 25% will be chargeable in respect of successful claims on MMI's customers. There is currently one open claim against Suffolk Constabulary. As this point in time, it is not possible to calculate the amount payable on this claim if it proves to be successful.

### Contractual Dispute

Ipswich Town Football Club have made a claim against Suffolk Constabulary for allegedly overcharging for special police services (SPS) covering a number of years. They are basing their claim on a Leeds United v West Yorkshire's Police case that stated the police can only charge for officers deployed on land owned, leased or controlled by the club. The court case was heard in the High Court of Justice on 8 and 9 June 2016, with the Approved Judgement being issued on 8 July 2016, in which, Mr Justice Green concluded that the provision of policing services in the Traffic Control Order (TCO) amounts to Special Policing Services.

Permission to appeal to the Court of Appeal from the judgement dated 8 July 2016 was granted by Mr Justice Green on 3 August 2016, the appeal is to be heard on 27 and 28 June 2017.

### Capped Overtime Claims

The organisation has a liability in respect of historic overtime claims for Covert Human Intelligence Source (CHIS) handlers and those of a similar nature. Officers from Devon and Cornwall Police claimed successfully in the County Court (October 2013) that they were owed payments under Police Regulations 2003. Their claims were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable. Overtime caps were generally applied across the Police Service for CHIS and other claims. At this point in time Suffolk Police have 11 claims outstanding in respect of historic overtime. Individual claims are currently stayed whilst they are being assessed, at this point in time quantum cannot be accurately estimated. The claims primarily cover the period when the units were under joint collaborative control with Norfolk Police.

### **Pension Regulations – Unlawful Discrimination**

The Chief Constable of Suffolk, along with other Chief Constables and the Home Office, currently has 67 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the claims by officers. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the claims by officers. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

### **Forensic Testing Uncertainty**

The validity of evidence provided by a forensic testing company to the police service is currently under investigation. It is reasonable to anticipate that some people may have been convicted of offences based on flawed data, and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation is anticipated. At this point in time it is not possible to assess the number of claims or the financial exposure arising from them.

### **Employment Tribunal Claim**

The Constabularies are currently responding to a submission of claim to the Employment Tribunal, which has been taken out by a number of custody staff across Norfolk and Suffolk. The claim is in respect to a role evaluation and grading process, the results of which are being contested by the staff. Should the claimants be successful, there is a potential liability to the Constabularies that would equate to the difference in pay from April 2015 to date including allowances and any on-costs. The Constabulary as employers are robustly defending their position, and the timing and certainty of any liability are not at the point where a provision can be made.

### **A19 Group Claim**

A group claim has been received in relation to regulation A19 of the Police Pensions Regulations 1987. Under this regulation, the Suffolk Police Authority, on advice, had interpreted that they were permitted to retire officers in the interests of efficiency and where these officers had the requisite period of service to attain a defined pension entitlement. A significant number of the 43 geographic forces in England and Wales adopted this interpretation after seeking legal opinion.

A number of officers from different forces successfully pursued complaints to the Employment Tribunal claiming they had been discriminated against because of their age. These cases were appealed to the Employment Appeals Tribunal.

On 8 July 2015 the Employment Appeal Tribunal upheld the appeal by the forces, thus overturning the employment tribunal decision. In light of the uncertainty surrounding future appeals, the group claim against Suffolk has been stayed awaiting a decision by the Court of Appeal as to whether the case can be heard at the Supreme Court.

## **24. Provisions**

The balance on the insurance claims provision represents the Group's estimated liability in respect of third party, employer's liability and public liability risks, which are not covered by external insurance, where a payment is certain to be made, but the timing and amount of the payment are uncertain. The liabilities covered are the subject of claims made on the Group and settlement is likely to be spread over several years.

The balance in the provision is re-assessed each year to take account of the latest estimate of claims and costs. Any excess in the provision is transferred to the revenue account, and any deficit would be made good by a transfer from revenue. The reserve is provided to meet any other uncertain claims that may arise. There are no amounts in respect of the liabilities covered by the insurance claims provision that are expected to be subject to reimbursement from third parties.

A provision has been made for exit packages to which the PCC is demonstrably committed at 31 March 2017.

	<b>Balance 1 April 2016 £000</b>	<b>Provision in year £000</b>	<b>Paid in year £000</b>	<b>Balance 31 March 2017 £000</b>
Insurance claims	901	911	(641)	1,171
Exit packages	937	-	(937)	-
<b>Total</b>	<b>1,839</b>	<b>911</b>	<b>(1,578)</b>	<b>1,171</b>

## 25. Leases

All significant leases have been assessed to identify the appropriate lease category.

### Operating Leases:

The principal operating lease commitments relate to property leases. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Not later than one year	108	143
later than one year but not later than five years	189	280
later than five years	9	32
	<b>305</b>	<b>454</b>

The amount charged to the service lines in respect of operating leases amount to:

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Minimum lease payments	195	276
Contingent rents	128	84
	<b>323</b>	<b>360</b>

### Finance Leases

During 2013 the PCC replaced the majority of its printers, photocopiers and fax machines with multi-functional devices. These were assessed as finance leases for accounting purposes. The repayment in the year of the finance lease capital liability is reflected by a Minimum Revenue Provision charge to the General Fund. The lease agreements do not include contingent rent and liabilities fall due as follows:



	Capital Liabilities £000	Finance Cost £000	Contingent Rent £000	Total £000
Payable in 2017/18	-	-	-	-
<b>Minimum Lease Payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The carrying value of assets held under finance leases are as follows:

	2016/17 £000	2015/16 £000
Vehicles, plant, furniture and equipment	-	84
Other land and buildings	-	-
Net book value at the end of the year	<b>-</b>	<b>84</b>

## 26. Usable Reserves

The movements in the Group's and the PCC's usable reserves are analysed as follows:

Group:

Year Ended 31 March 2017	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Balance at 1 April 2016</b>	<b>12,439</b>	-	<b>3</b>	<b>12,442</b>
<b>Movement in Reserves during 2016/17</b>				
Surplus or (deficit) on provision of services (accounting basis)	(37,756)	-	-	(37,756)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(37,756)</b>	<b>-</b>	<b>-</b>	<b>(37,756)</b>
Amortisation of intangible assets	833	-	-	833
Depreciation on property, plant and equipment	4,190	-	-	4,190
Revaluation losses on property, plant and equipment	2,564	-	-	2,564
Capital grants and contributions and income inc in relation to donated assets credited to the revised CIES	(923)	-	282	(641)
Application of capital grants from unapplied account	-	-	(3)	(3)
Net gain or loss on the sale of non-current assets	258	103	-	361
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	160	-	160
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	50,681	-	-	50,681
Movement on the collection fund adjustment account	380	-	-	380
Capital expenditure charged to the General Fund Balance	(2,043)	-	-	(2,043)
Statutory provision for the repayment of debt	(695)	-	-	(695)
Contribution to the Police Pension Fund	(19,111)	-	-	(19,111)
Movement on the Compensated Absences Account	22	-	-	22
Use of capital receipts to fund asset purchases	-	(263)	-	(263)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>36,155</b>	<b>-</b>	<b>279</b>	<b>36,434</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>(1,601)</b>	<b>-</b>	<b>279</b>	<b>(1,322)</b>
Transfers to / from earmarked reserves	-	-	-	-
<b>Increase / decrease in year</b>	<b>(1,601)</b>	<b>-</b>	<b>279</b>	<b>(1,322)</b>
<b>Balance at 31 March 2017</b>	<b>10,838</b>	<b>-</b>	<b>282</b>	<b>11,120</b>

<b>Year Ended 31 March 2016</b>	<b>General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Unapplied</b> £000	<b>Total Usable Reserves</b> £000
<b>Balance at 1 April 2015</b>	<b>16,212</b>	<b>-</b>	<b>24</b>	<b>16,236</b>
<b>Movement in Reserves during 2015/16</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>
Surplus or (deficit) on provision of services (accounting basis)	(39,552)	-	-	(39,552)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(39,552)</b>	<b>-</b>	<b>-</b>	<b>(39,552)</b>
Amortisation of intangible assets	681	-	-	681
Depreciation on property, plant and equipment	3,931	-	-	3,931
Revaluation losses on property, plant and equipment	97	-	-	97
Capital grants and contributions and income inc in relation to donated assets credited to the revised CIES	(994)	-	-	(994)
Application of capital grants from unapplied account	-	-	(21)	(21)
Net gain or loss on the sale of non-current assets	(290)	1,247	-	957
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	56,023	-	-	56,023
Movement on the collection fund adjustment account	(190)	-	-	(190)
Capital expenditure charged to the General Fund Balance	(977)	-	-	(977)
Statutory provision for the repayment of debt	(665)	-	-	(665)
Contribution to the Police Pension Fund	(20,929)	-	-	(20,929)
Movement on the Compensated Absences Account	(907)	-	-	(907)
Use of capital receipts to fund asset purchases	-	(1,247)	-	(1,247)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>35,779</b>	<b>-</b>	<b>(21)</b>	<b>35,758</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>(3,773)</b>	<b>-</b>	<b>(21)</b>	<b>(3,794)</b>
Transfers to / from earmarked reserves	-	-	-	-
<b>Increase / decrease in year</b>	<b>(3,773)</b>	<b>-</b>	<b>(21)</b>	<b>(3,794)</b>
<b>Balance at 31 March 2016</b>	<b>12,439</b>	<b>-</b>	<b>3</b>	<b>12,442</b>

PCC:

	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>
<b>Year Ended 31 March 2017</b>				
<b>Balance at 1 April 2016</b>	<b>12,439</b>	<b>-</b>	<b>3</b>	<b>12,442</b>
<b>Movement in Reserves during 2016/17</b>				
Surplus or (deficit) on provision of services (accounting basis)	(6,240)	-	-	(6,240)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(6,240)</b>	<b>-</b>	<b>-</b>	<b>(6,240)</b>
Amortisation of intangible assets	833	-	-	833
Depreciation on property, plant and equipment	4,190	-	-	4,190
Revaluation losses on property, plant and equipment	2,564	-	-	2,564
Capital grants and contributions and income in relation to donated assets credited to the revised CIES	(923)	-	282	(641)
Application of capital grants from unapplied account	-	-	(3)	(3)
Net gain or loss on the sale of non-current assets	258	103	-	361
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	160	-	160
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	75	-	-	75
Movement on the collection fund adjustment account	380	-	-	380
Capital expenditure charged to the General Fund Balance	(2,043)	-	-	(2,043)
Statutory provision for the repayment of debt	(695)	-	-	(695)
Movement on the Compensated Absences Account	-	-	-	-
Use of capital receipts to fund asset purchases	-	(263)	-	(263)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>4,639</b>	<b>-</b>	<b>279</b>	<b>4,918</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>(1,600)</b>	<b>-</b>	<b>279</b>	<b>(1,320)</b>
Transfers to / from earmarked reserves	-	-	-	-
<b>Increase / decrease in year</b>	<b>(1,601)</b>	<b>-</b>	<b>279</b>	<b>(1,322)</b>
<b>Balance at 31 March 2017</b>	<b>10,838</b>	<b>-</b>	<b>282</b>	<b>11,120</b>

<b>Year Ended 31 March 2016</b>	<b>General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Unapplied</b> £000	<b>Total Usable Reserves</b> £000
<b>Balance at 1 April 2015</b>	<b>16,212</b>	<b>-</b>	<b>24</b>	<b>16,236</b>
<b>Movement in Reserves during 2015/16</b>				
Surplus or (deficit) on provision of services (accounting basis)	(5,443)	-	-	(5,443)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(5,443)</b>	<b>-</b>	<b>-</b>	<b>(5,443)</b>
Amortisation of intangible assets	681	-	-	681
Depreciation on property, plant and equipment	3,931	-	-	3,931
Revaluation losses on property, plant and equipment	97	-	-	97
Capital grants and contributions and income in relation to donated assets credited to the revised CIES	(994)	-	-	(994)
Application of capital grants from unapplied account	-	-	(21)	(21)
Net gain or loss on the sale of non-current assets	(290)	1,247	-	957
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	86	-	-	86
Movement on the collection fund adjustment account	(190)	-	-	(190)
Capital expenditure charged to the General Fund Balance	(977)	-	-	(977)
Statutory provision for the repayment of debt	(665)	-	-	(665)
Movement on the Compensated Absences Account	(8)	-	-	(8)
Use of capital receipts to fund asset purchases	-	(1,247)	-	(1,247)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>1,670</b>	<b>-</b>	<b>(21)</b>	<b>1,650</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>(3,773)</b>	<b>-</b>	<b>(21)</b>	<b>(3,793)</b>
Transfers to / from earmarked reserves	-	-	-	-
<b>Increase / decrease in year</b>	<b>(3,773)</b>	<b>-</b>	<b>(21)</b>	<b>(3,794)</b>
<b>Balance at 31 March 2016</b>	<b>12,439</b>	<b>-</b>	<b>3</b>	<b>12,442</b>

## 27. General Fund Earmarked for Specific Purposes

The movements in general fund earmarked for specific purposes in 2016/17 are analysed as follows:

		Balance				Balance
		1 April				31 March
	Note	2016	Received	Applied	Reallocated	2017
		£000	£000	£000	£000	£000
<b>Revenue reserves:</b>						
Budget reserve	(a)	5,327	17	(1,408)		3,937
Specified purposes fund	(b)	129	240	(129)	-	240
PCC reserve	(c)	200	210	-		410
Capital Financing Reserve	(d)	1,043	-	(1,043)	-	-
Safety Camera Reserve	(e)	374	511	-	-	885
Change Reserve	(f)	-	-	-		-
PCC Crime & Disorder reserve	(g)	366	-	-	-	366
<b>Total</b>		<b>7,439</b>	<b>978</b>	<b>(2,580)</b>	<b>-</b>	<b>5,838</b>

### (a) Budget Reserve

This reserve is used to pump-prime those initiatives which will produce cost reductions over the next three or four years.

### (b) Specified Purposes Fund

The balance on this reserve represents funds allocated for specific initiatives, including funds received from partners. The funds will be used in the new year.

### (c) PCC Reserve

The uncommitted reserve is made up of prior years' underspends against the approved annual budget.

### (d) Capital Financing Reserve – earmarked for capital expenditure

Any balance on this reserve is committed to financing part of the capital programme.

### (e) Safety Camera Reserve

This reserve is made up of prior years' underspends against the Safety Camera approved annual budget and a provision made in respect of the Prosecutions team.

### (f) Change Reserve

This reserve was established to meet the one-off costs of change to the Constabulary necessary to deliver the permanent savings required as a result of government funding reductions.

### (g) PCC Crime and Disorder Reserve

This reserve is made up underspends against the Commissioning budget which have been earmarked to fund future initiatives.

## 28. Unusable Reserves

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensating absences earned but not taken in the year, e.g. annual leave entitlement. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to and from the account.

The Revaluation Reserve shows the net accumulated unrealised gains on non-current assets arising from increases in value, as a result of inflation or other factors. The reserve is debited to reflect: the revaluation element of the depreciation charge, revaluation losses or impairments against previous revaluation gains and when assets with accumulated revaluation gains are disposed of. Any balance remaining in the reserve, relating to an asset that has been disposed of, is removed from the reserve by way of a transfer to the Capital Adjustment Account.

The Capital Adjustment Account accumulates the resources that have been set aside to finance capital expenditure. The consumption of the historical cost by way of depreciation, impairment and disposal is removed from the account throughout the asset's useful life. The balance on this account therefore represents timing differences between financing and consumption of non-current assets.

Movements in unusable reserves are summarised in the Movement in Reserves Statement and are shown in detail below. The first two tables provide the position for the Group; the second two tables provide the position for the PCC.

<b>Group Position</b>	<b>Pension Reserves</b>	<b>Revaluation Reserve</b>	<b>Capital Adj' Account</b>	<b>Collection Fund Adj' Account</b>	<b>Deferred Capital Receipts</b>	<b>Comp' Absences Account</b>	<b>Total Unusable Reserves</b>
<b>Year Ended 31 March 2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2016</b>	<b>(1,138,697)</b>	<b>3,879</b>	<b>19,809</b>	<b>1,258</b>	<b>1,309</b>	<b>(708)</b>	<b>(1,113,149)</b>
Other comprehensive income and expenditure	(148,719)	2,863	-	-	-	-	(145,856)
<b>Total comprehensive income and expenditure</b>	<b>(148,719)</b>	<b>2,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145,856)</b>
Amortisation of intangible assets	-	-	(833)	-	-	-	(833)
Depreciation on property, plant and equipment	-	(271)	(3,919)	-	-	-	(4,190)
Revaluation losses on property, plant and equipment	-	-	(2,564)	-	-	-	(2,564)
Capital grants and contributions and income in relation to donated assets credited to the revised CIES	-	-	641	-	-	-	641
Application of capital grants from unapplied account	-	-	3	-	-	-	3
Net gain or loss on the sale of non-current assets	-	-	(361)	-	-	-	(361)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(160)	-	(160)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(50,681)	-	-	-	-	-	(50,681)
Movement on the collection fund adjustment account	-	-	-	(380)	-	-	(380)
Capital expenditure charged to the General Fund Balance	-	-	2,043	-	-	-	2,043
Statutory provision for the repayment of debt	-	-	695	-	-	-	695
Contribution to the Police Pension Fund	19,111	-	-	-	-	-	19,111
Movement on the Compensated Absences Account	-	-	-	-	-	(22)	(22)
Use of capital receipts to fund asset purchases	-	-	263	-	-	-	263
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(31,570)</b>	<b>(271)</b>	<b>(4,030)</b>	<b>(380)</b>	<b>(160)</b>	<b>(22)</b>	<b>(36,434)</b>
<b>Increase / decrease in year</b>	<b>(180,289)</b>	<b>2,592</b>	<b>(4,030)</b>	<b>(380)</b>	<b>(160)</b>	<b>(22)</b>	<b>(182,290)</b>
<b>Balance at 31 March 2017</b>	<b>(1,318,985)</b>	<b>6,471</b>	<b>15,779</b>	<b>878</b>	<b>1,149</b>	<b>(731)</b>	<b>(1,295,439)</b>



<b>Group Position Year Ended 31 March 2016</b>	<b>Pension Reserves £000</b>	<b>Reval- -uation Reserve £000</b>	<b>Capital Adj' Account £000</b>	<b>Collection Fund Adj' Account £000</b>	<b>Deferred Capital Receipts £000</b>	<b>Comp' Absences Account £000</b>	<b>Total Unusable Reserves £000</b>
<b>Balance at 1 April 2015</b>	<b>(1,273,426)</b>	<b>3,927</b>	<b>21,300</b>	<b>1,067</b>	<b>1,309</b>	<b>(1,615)</b>	<b>(1,247,437)</b>
Other comprehensive income and expenditure	169,822	222	-	-	-	-	170,044
<b>Total comprehensive income and expenditure</b>	<b>169,822</b>	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170,044</b>
Amortisation of intangible assets	-	-	(681)	-	-	-	(681)
Depreciation on property, plant and equipment	-	(204)	(3,727)	-	-	-	(3,931)
Revaluation losses on property, plant and equipment	-	-	(97)	-	-	-	(97)
Capital grants and contributions and income in relation to donated assets credited to the revised CIES	-	-	994	-	-	-	994
Application of capital grants from unapplied account	-	-	21	-	-	-	21
Net gain or loss on the sale of non-current assets	-	(66)	(891)	-	-	-	(957)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(56,023)	-	-	-	-	-	(56,023)
Movement on the collection fund adjustment account	-	-	-	190	-	-	190
Capital expenditure charged to the General Fund Balance	-	-	977	-	-	-	977
Statutory provision for the repayment of debt	-	-	665	-	-	-	665
Contribution to the Police Pension Fund	20,929	-	-	-	-	-	20,929
Movement on the Compensated Absences Account	-	-	-	-	-	907	907
Use of capital receipts to fund asset purchases	-	-	1,247	-	-	-	1,247
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(35,094)</b>	<b>(270)</b>	<b>(1,492)</b>	<b>190</b>	<b>-</b>	<b>907</b>	<b>(35,758)</b>
<b>Increase / decrease in year</b>	<b>134,728</b>	<b>(48)</b>	<b>(1,492)</b>	<b>190</b>	<b>-</b>	<b>907</b>	<b>134,286</b>
<b>Balance at 31 March 2016</b>	<b>(1,138,697)</b>	<b>3,879</b>	<b>19,809</b>	<b>1,258</b>	<b>1,309</b>	<b>(708)</b>	<b>(1,113,151)</b>

<b>PCC Position</b>	<b>Pension Reserves</b>	<b>Revaluation Reserve</b>	<b>Capital Adj' Account</b>	<b>Collection Fund Adj' Account</b>	<b>Deferred Capital Receipts</b>	<b>Comp' Absences Account</b>	<b>Total Unusable Reserves</b>
<b>Year Ended 31 March 2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2016</b>	<b>(1,358)</b>	<b>3,879</b>	<b>19,808</b>	<b>1,258</b>	<b>1,309</b>	<b>(0)</b>	<b>24,897</b>
Other comprehensive income and expenditure	660	2,863	-	-	-	-	3,523
<b>Total comprehensive income and expenditure</b>	<b>660</b>	<b>2,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,523</b>
Amortisation of intangible assets	-	-	(833)	-	-	-	(833)
Depreciation on property, plant and equipment	-	(271)	(3,919)	-	-	-	(4,190)
Revaluation losses on property, plant and equipment	-	-	(2,564)	-	-	-	(2,564)
Capital grants and contributions and income in relation to donated assets credited to the revised CIES	-	-	641	-	-	-	641
Application of capital grants from unapplied account	-	-	3	-	-	-	3
Net gain or loss on the sale of non-current assets	-	-	(361)	-	-	-	(361)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(160)	-	(160)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(75)	-	-	-	-	-	(75)
Movement on the collection fund adjustment account	-	-	-	(380)	-	-	(380)
Capital expenditure charged to the General Fund Balance	-	-	2,043	-	-	-	2,043
Statutory provision for the repayment of debt	-	-	695	-	-	-	695
Movement on the Compensated Absences Account	-	-	-	-	-	-	-
Use of capital receipts to fund asset purchases	-	-	263	-	-	-	263
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(75)</b>	<b>(271)</b>	<b>(4,030)</b>	<b>(380)</b>	<b>(160)</b>	<b>-</b>	<b>(4,918)</b>
<b>Increase / decrease in year</b>	<b>585</b>	<b>2,592</b>	<b>(4,030)</b>	<b>(380)</b>	<b>(160)</b>	<b>-</b>	<b>(1,395)</b>
<b>Balance at 31 March 2017</b>	<b>(773)</b>	<b>6,471</b>	<b>15,778</b>	<b>878</b>	<b>1,148</b>	<b>-</b>	<b>23,502</b>

<b>PCC Position</b>	<b>Pension Reserves</b>	<b>Reval-uation Reserve</b>	<b>Capital Adj' Account</b>	<b>Collection Fund Adj' Account</b>	<b>Deferred Capital Receipts</b>	<b>Comp' Absences Account</b>	<b>Total Unusable Reserves</b>
<b>Year Ended 31 March 2016</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2015</b>	<b>(940)</b>	<b>3,928</b>	<b>21,300</b>	<b>1,067</b>	<b>1,309</b>	<b>(8)</b>	<b>26,656</b>
Other comprehensive income and expenditure	(332)	222	-	-	-	-	(110)
<b>Total comprehensive income and expenditure</b>	<b>(332)</b>	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(110)</b>
Amortisation of intangible assets	-	-	(681)	-	-	-	(681)
Depreciation on property, plant and equipment	-	(204)	(3,727)	-	-	-	(3,931)
Revaluation losses on property, plant and equipment	-	-	(97)	-	-	-	(97)
Capital grants and contributions and income in relation to donated assets credited to the revised CIES	-	-	994	-	-	-	994
Application of capital grants from unapplied account	-	-	21	-	-	-	21
Net gain or loss on the sale of non-current assets	-	(66)	(891)	-	-	-	(957)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(86)	-	-	-	-	-	(86)
Movement on the collection fund adjustment account	-	-	-	190	-	-	190
Capital expenditure charged to the General Fund Balance	-	-	977	-	-	-	977
Statutory provision for the repayment of debt	-	-	665	-	-	-	665
Movement on the Compensated Absences Account	-	-	-	-	-	8	8
Use of capital receipts to fund asset purchases	-	-	1,247	-	-	-	1,247
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(86)</b>	<b>(270)</b>	<b>(1,492)</b>	<b>190</b>	<b>-</b>	<b>8</b>	<b>(1,650)</b>
<b>Increase / decrease in year</b>	<b>(418)</b>	<b>(48)</b>	<b>(1,492)</b>	<b>190</b>	<b>-</b>	<b>8</b>	<b>(1,760)</b>
<b>Balance at 31 March 2016</b>	<b>(1,359)</b>	<b>3,879</b>	<b>19,808</b>	<b>1,258</b>	<b>1,309</b>	<b>(0)</b>	<b>24,897</b>

## 29. Movements in Cash

1 April 2015 £000	31 March 2016 £000		1 April 2016 £000	31 March 2017 £000
6,247	4,683	Cash and cash equivalents	4,683	869
<u>6,247</u>	<u>4,683</u>	Cash inflows	<u>4,683</u>	<u>869</u>
	<u>(1,564)</u>	<b>Increase / (decrease) in cash and cash equivalents</b>		<u><b>(3,814)</b></u>

## 30. Cash Flow Statement –Investing and Financing Activities

2015/16 £000		2016/17 £000
<b>Cash Flow Statement - Investing Activities</b>		
2,747	Purchase of non current assets	3,994
	Other payments for investing activities	
7,000	Purchase of short-term or long term investments	8,000
(1,247)	Proceeds from the sale of non currents assets	(103)
(8,000)	Proceeds from short-term or long-term investments	(7,000)
(930)	Other receipts from investing activities	(834)
<u>(430)</u>	<b>Cash outflow</b>	<u><b>4,057</b></u>
<b>Cash Flow Statement - Financing Activities</b>		
-	Cash receipts of short and long-term borrowing	(2,000)
-	Other receipts from financing activities	-
353	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	386
272	Repayments of short and long-term borrowing	284
<u>625</u>	<b>Cash outflow</b>	<u><b>(1,330)</b></u>

## 31. Reconciliation of Revenue Cash Flow

Group:

2015/16		2016/17	
£000	£000	£000	£000
<b>Adjustment for non cash or cash equivalent items within deficit on provision of services:</b>			
4,709			7,586
(290)			258
35,094			31,570
-	-		-
<u>39,512</u>			<u>39,413</u>
	1,577	Increase/(decrease) in revenue creditors	1,153
	(3,016)	Decrease/(increase) in revenue debtors	(2,301)
	178	Decrease/(increase) in stocks	(6)
	926	Increase/(decrease) in revenue provisions	(667)
	-	Increase/(decrease) in grants received in advance	-
(335)			(1,822)
<u><b>39,177</b></u>			<u><b>37,592</b></u>
<b>The cash flows for operating activities include:</b>			
2,877		Interest paid and similar charges	2,816
(124)		Interest received	(123)

PCC:

2015/16		2016/17	
£000	£000	£000	£000
<b>Adjustment for non cash or cash equivalent items within deficit on provision of services:</b>			
4,709			7,586
(290)			258
86			76
-			-
<u>4,505</u>			<u>7,919</u>
	2,475	Increase/(decrease) in revenue creditors	1,130
	(3,016)	Decrease/(increase) in revenue debtors	(2,301)
	178	Decrease/(increase) in stocks	(6)
	926	Increase/(decrease) in revenue provisions	(667)
	-	Increase/(decrease) in grants received in advance	-
564			(1,844)
<u><b>5,069</b></u>			<u><b>6,075</b></u>
<b>The cash flows for operating activities include:</b>			
2,877		Interest paid and similar charges	2,816
(124)		Interest received	(123)

## 32. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

	Current		Long Term	
	31.3.17	31.3.16 Restated	31.3.17	31.3.16
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables	8,001	7,028	-	-
	<b>8,001</b>	<b>7,028</b>	-	-
<b>Debtors</b>				
Balances per Balance Sheet	12,731	10,151	1,148	1,309
Balances relating to Council Tax	(1,713)	(2,024)	-	-
Prepayments	(2,929)	(1,002)	-	-
VAT	(727)	(1,027)	-	-
Home Office pensions grant debtor	(4,590)	(3,676)	-	-
Debtors classified as loans and receivables	<b>2,773</b>	<b>2,422</b>	<b>1,148</b>	<b>1,309</b>
<b>Borrowings</b>				
Financial borrowings at amortised cost	2,000	-	8,508	8,801
	<b>2,000</b>	-	<b>8,508</b>	<b>8,801</b>
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	327	386	23,463	23,790
	<b>327</b>	<b>386</b>	<b>23,463</b>	<b>23,790</b>
<b>Creditors</b>				
Balances per Balance Sheet	10,776	9,821	126	214
Balances relating to Council Tax	(835)	(766)	-	-
Balances relating to Compensated Absences	(730)	(708)	-	-
Third Party Funds	(252)	(275)	-	-
Home Office pensions grant creditor	(96)	-	-	-
Balances relating to HMRC	(2,114)	(1,762)	-	-
Receipts in Advance	(253)	(92)	-	-
PIC deferred service credit	(386)	(402)	-	-
Creditors classified as financial liabilities at amortised	<b>6,110</b>	<b>5,815</b>	<b>126</b>	<b>214</b>

Included within short term borrowing is an amount of £2m which was borrowed at the end of the year for cashflow purposes due to the maturity profile of short-term investments.

The gains and losses recognised in the CIES are show in the table below:

	2016/17			2015/16		
	Financial		Total	Financial		Total
	Liabilities at amortised cost £000	Loans and receivables £000		Liabilities at amortised cost £000	Loans and receivables £000	
<b>Expense</b>						
Interest expense	2,457	-	2,457	2,508	-	2,508
Contingent rent on PFI	351	-	351	366	-	366
<b>Total in Surplus or Deficit on the Provision of Services</b>	<b>2,808</b>	<b>-</b>	<b>2,808</b>	<b>2,873</b>	<b>-</b>	<b>2,873</b>
<b>Income</b>						
Interest income	-	(96)	(96)	-	(134)	(134)
<b>Total in Surplus or Deficit on the Provision of Services</b>	<b>2,808</b>	<b>- 96</b>	<b>2,712</b>	<b>2,873</b>	<b>(134)</b>	<b>2,740</b>

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- For PWLB loans, the cash flows are discounted using the premature repayment rates applicable at the year end for equivalent loans.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of financial instruments that differ from the carrying amount are summarised below:

	31 March 2017		31 March 2016	
	Carrying	Fair	Carrying	Fair
	Amount £000	Value £000	Amount £000	Value £000
<b>Financial liabilities</b>				
PWLB loan	8,508	11,413	8,801	11,502
	<b>8,508</b>	<b>11,413</b>	<b>8,801</b>	<b>11,502</b>

The fair value of the liabilities in 2016/17 is higher than the carrying amount because the rate payable for the PWLB loan is higher than the prevailing rate at the balance sheet date.

The PCC's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the PCC
- Liquidity risk – the possibility that the PCC might not have funds available to meet its commitments to make payments
- Refinancing and Maturity risk – the possibility that the PCC might be requiring to renew a financial

- instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the PCC as a result of changes in such measures as interest rates and stock market movements.

The PCC's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the PCC in the annual Investment and Treasury Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and the investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers. Deposits are not made with banks, financial institutions and other local authorities unless they meet the minimum criteria specified in the Annual Investment and Treasury Strategy, which requires that counterparties meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. In 2016/17, the PCC has a policy not to lend any more than £10m to any individual financial institution, authority or banking group.

The PCC uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The PCC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the PCC's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

The following analysis summarises the PCC's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectible debts over the past five financial years, adjusted to reflect current market conditions. The historical experience of default percentages for bonds are the average 1 year default rates published by the three main rating agencies relating to 2015 figures, they do not relate to the PCC's experience of default.

	Amount at 31.3.17 £000	Historical experience of default %	Adjusted for market conditions %	Estimated exposure to default £000
<b>Bonds rated:</b>				
AA	2,000	0.01%	0.03%	1
A	6,000	0.07%	0.08%	5
Customers	836	0.31%	0.31%	3
	<b>8,836</b>			<b>8</b>

No credit limits were exceeded during the reporting period and the PCC does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Of the £836k outstanding from customers £252k is past its due date for payment at the year-end. The past



due amount can be analysed by age as follows:

	Amount Due 31.3.17 £000	Amount Due 31.3.16 £000
Less than three months	110	118
Three to six months		8
Six months to one year	6	155
More than one year	135	
	<u>252</u>	<u>281</u>

### Liquidity risk

The PCC manages its liquidity position through the risk management procedures set out in the Annual Investment and Treasury Strategy, and the approval of weekly treasury monitoring reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). The PCC is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The PCC has one loan with the PWLB that was taken out for £10m in 2010/11, it is being paid off in half year instalments. The loan is due to mature in 2035/36. All trade and other payables are due to be paid in less than one year.

### Refinancing and Maturity risk

The PCC maintains its debt and investment portfolio in line with the Annual Investment and Treasury Strategy. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the PCC relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The PCC approved Annual Investment and Treasury Strategy addresses the main risks and the treasury management function addresses the operational risks within the approved parameters.

The PCC's financial assets held on the balance sheet all mature within one year.

### Market risk – interest risk

The PCC has no significant exposure to market risk from investments. Investments are normally by way of term deposits placed at a fixed rate for a fixed period, therefore there is a risk that the market rate can change, which would lead to an impact on the fair value of the investment. However investments are mostly placed for periods not exceeding three months, therefore the exposure to market risk is regarded as negligible.

A loan with the PWLB was taken out during May 2010 for £10m, the PCC has mitigated its exposure to market risk in regards to interest expense by fixing the interest rate payable for the duration of the loan. The risk is therefore shifted to the risk on the movement of fair value that would arise when prevailing rates differ from the contract rate payable. However borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowings do not impact on the CIES.

A 1% increase in interest rates would only have a material effect on the fair value of borrowings. It would reduce the liability by £944k.

### Market risk – price risk

The PCC does not invest in equity shares and therefore has no exposure to price risk.

### Market risk – exchange risk

The PCC has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 33. Collaborative Arrangements

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently, from a collaborative point of view, the forces are focusing on Protective Services, Justice Services, Business Support, and from April 2015, elements of County Policing. At 31 March 2017 significant progress towards fully collaborated units had been made, with many units working as joint departments, with operational cost sharing, while other units currently only share common management costs. Although both forces control their own financial arrangements in respect of these units, an agreement was drawn up to enable certain costs to be shared on an agreed ratio. The PCC regards these units as Jointly Controlled Operations. The agreed shared costs of fully collaborated units that arose during the year was as follows:

	<b>Business Support</b>	<b>Justice Services</b>	<b>Protective Services</b>	<b>County Policing</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2016/17</b>					
Suffolk PCC	16,816	8,955	15,396	1,023	42,190
Norfolk PCC	22,110	11,774	20,242	1,345	55,472
<b>Total shared running costs</b>	<b>38,927</b>	<b>20,728</b>	<b>35,638</b>	<b>2,368</b>	<b>97,662</b>
<b>2015/16</b>					
Suffolk PCC	16,676	9,015	14,946	709	41,346
Norfolk PCC	21,659	11,709	19,413	921	53,702
<b>Total shared running costs</b>	<b>38,335</b>	<b>20,724</b>	<b>34,359</b>	<b>1,630</b>	<b>95,048</b>

West Yorkshire Police is the lead force for the National Police Air Service (NPAS). During 2012/13 all owned airframes (including the one owned by the former Suffolk Police Authority) transferred to the ownership of the Commissioner for West Yorkshire while leased airframes remained in the ownership of the lessor but the lease costs transferred.

The PCC's retained ownership of all freehold airbases, but some leases for airbases were novated to the Commissioner for West Yorkshire.

Police staff engaged in provision of the service were employed by the Commissioner and police officers were seconded to West Yorkshire Police. Expenditure relating to NPAS incurred by forces will be charged to West Yorkshire, and West Yorkshire will charge forces for the service. The Home Office provide capital grant to cover the capital investment required.

The service is governed by a section 22A collaboration agreement and is under the control of a Strategic Board made up of Commissioners and Chief Constables from each region. The Board determines the budget and the charging policy, and monitors performance.

During the year £804k was payable to West Yorkshire PCC in respect of the NPAS service provided.

At 31 March 2017 West Yorkshire PCC owed Suffolk PCC £1.15m in respect of the Suffolk airframe. The balance is due to be paid in annual instalments up until 2024/25.

On 1 April 2010, police forces within the Eastern Region entered into a collaborative agreement called the Eastern Region Specialist Operations Unit (ERSOU), Bedfordshire act as the lead PCC. The net expenditure

incurred by each force is as follows:

	<b>Total 2016/17 £000</b>	<b>Total 2015/16 £000</b>
Operating costs	16,089	14,458
Specific Home Office grant	(2,676)	(2,597)
Other income	-	-
Net expenditure	<u>13,414</u>	<u>11,861</u>
Contributions from forces:		
Bedfordshire	(1,828)	(1,715)
Cambridgeshire	(2,357)	(2,160)
Essex	(916)	(576)
Hertfordshire	(3,301)	(3,095)
Kent	(406)	-
Norfolk	(2,671)	(2,441)
Suffolk	<u>(2,040)</u>	<u>(1,874)</u>
Deficit/ (Surplus) for the year	<u>(106)</u>	<u>-</u>
Suffolk underspend held in Balance Sheet	13	0

#### 34. Post Balance Sheet Events

Post balance sheet events have been considered for the period from the year-end to the date the accounts were authorised for issue on 22 September 2017.

No adjusting events have occurred that require restatement of the Statement of Accounts.

#### 35. Capital Commitments

Significant commitments under capital contracts as at 31 March 2017 are analysed as follows:

<b>2015/16 £000</b>		<b>2016/17 £000</b>
55	Towed Welfare Units	
	CCR telephony	291
	Intranet	99
	Athena	102
	Other	109
<u>55</u>	<b>Total committed</b>	<u>600</u>

### 36. Prior Period Adjustments, changes in Accounting Policies, Estimates & Errors

Due to the “Telling the Story” changes, the objective basis for presentation within the CIES as specified by SeRCoP (Service Reporting Code of Practice) has changed to that used for segmental reporting. Reportable segments are those used for internal management reporting. Although the net expenditure position is unchanged within the CIES, there is a £1.6m movement between Gross Income and Expenditure which relates to the changes in the allocation of the net Norfolk/Suffolk collaboration recharges between the objective headings.

#### Comprehensive Income and Expenditure Statement – Group

	Audited Statements			Change			Restated comparators		
	Gross		Net	Gross		Net	Gross		Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Division of Service:</b>									
Local Policing	56,094	(1,396)	54,698	(56,094)	1,396	(54,698)	-	-	-
Dealing with the Public	9,399	(218)	9,181	(9,399)	218	(9,181)	-	-	-
Criminal Justice Arrangements	15,209	(4,519)	10,690	(15,209)	4,519	(10,690)	-	-	-
Road Policing	5,164	(1,331)	3,833	(5,164)	1,331	(3,833)	-	-	-
Specialist Operations	7,604	(625)	6,979	(7,604)	625	(6,979)	-	-	-
Intelligence	7,498	(592)	6,906	(7,498)	592	(6,906)	-	-	-
Investigations	32,232	(1,455)	30,778	(32,232)	1,455	(30,778)	-	-	-
Investigative Support	3,987	(681)	3,306	(3,987)	681	(3,306)	-	-	-
National Policing	2,446	(1,317)	1,130	(2,446)	1,317	(1,130)	-	-	-
Non-distributed costs	850	-	850	(850)	-	(850)	-	-	-
Corporate and democratic core	1,227	-	1,227	(1,227)	-	(1,227)	-	-	-
Chief Constable	-	-	-	132,795	(7,549)	125,246	132,795	(7,549)	125,246
PCC's Office	-	-	-	7,225	(2,893)	4,333	7,225	(2,893)	4,333
PCC Commissioning	1,343	(818)	526	-	-	-	1,343	(818)	526
<b>Net Cost of Police Services</b>	<b>143,054</b>	<b>(12,950)</b>	<b>130,104</b>	<b>(1,690)</b>	<b>1,690</b>	<b>-</b>	<b>141,364</b>	<b>(11,260)</b>	<b>130,104</b>

## Comprehensive Income and Expenditure Statement – PCC

	Audited Statements			Change			Restated comparators		
	Gross		Net	Gross		Net	Gross		Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Local Policing	2,490	(60)	2,430	(2,490)	60	(2,430)	-	-	-
Dealing with the Public	545	(15)	530	(545)	15	(530)	-	-	-
Criminal Justice Arrangements	699	(2,751)	(2,052)	(699)	2,751	2,052	-	-	-
Road Policing	244	(6)	238	(244)	6	(238)	-	-	-
Specialist Operations	300	(6)	293	(300)	6	(293)	-	-	-
Intelligence	305	(8)	296	(305)	8	(296)	-	-	-
Investigations	1,454	(39)	1,415	(1,454)	39	(1,415)	-	-	-
Investigative Support	148	(4)	144	(148)	4	(144)	-	-	-
National Policing	120	(3)	116	(120)	3	(116)	-	-	-
Non-distributed costs	-	-	-	-	-	-	-	-	-
Corporate and democratic core	1,227	-	1,227	(1,227)	-	(1,227)	-	-	-
PCC's Office	-	-	-	7,225	(2,893)	4,333	7,225	(2,893)	4,333
PCC Commissioning	1,343	(818)	526	-	-	-	1,343	(818)	526
<b>Net Cost of Police Services before group funding</b>	<b>8,874</b>	<b>(3,711)</b>	<b>5,163</b>	<b>(305)</b>	<b>1</b>	<b>(304)</b>	<b>8,569</b>	<b>(3,710)</b>	<b>4,858</b>
Intra-group funding	131,534	-	131,534	304	-	304	131,838	-	131,838
<b>Net Cost of Policing Services</b>	<b>140,407</b>	<b>(3,711)</b>	<b>136,696</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>140,406</b>	<b>(3,710)</b>	<b>136,696</b>

# Police Pension Fund Accounting Statements

## Fund Account

2015/16		2016/17	
£000	£000	£000	£000
		<b>Contributions receivable</b>	
		Employer	
	8,609	Normal	8,399
	383	Early retirements	538
	-	Other - 30+ payments	-
8,992	<u>          </u>		<u>          </u>
		Members	
	5,577	Normal	5,406
5,577	<u>          </u>		<u>          </u>
		<b>Transfers in</b>	
	34	Individual transfers in from other schemes	218
	-	Other	-
34	<u>          </u>		<u>          </u>
		<b>Benefits payable</b>	
	(25,848)	Pensions	(26,834)
	(10,765)	Commutations and lump sum retirement benefits	(7,921)
	-	Lump sum death benefits	(15)
	-	Other	-
(36,613)	<u>          </u>		<u>          </u>
		<b>Payments to and on account of leavers</b>	
	(1)	Refunds on contributions	(4)
	(90)	Individual transfers out to other schemes	(42)
	-	Other	-
(91)	<u>          </u>		<u>          </u>
<b>(22,101)</b>		<b>Net amount receivable for the year before contribution from the Police General Fund</b>	<b>(20,255)</b>
		<b>Contribution from the Police General Fund</b>	<b>19,111</b>
20,929		<b>Additional funding payable by the local policing body</b>	<b>1,144</b>
1,172			
	<u>          </u>		<u>          </u>
-		<b>Net balance receivable for the year</b>	<b>-</b>
	<u>          </u>		<u>          </u>

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2016 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

## Net Assets and Liabilities

	2015/16	2016/17
	£000	£000
<b>Net current assets</b>		
Net balance receivable from the Police General Fund	-	-
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>

# Glossary of terms

For the purposes of the statement of accounts the following definitions have been adopted:

## **Accruals basis**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## **Actual return on plan assets**

The difference between the fair value of plan assets at the end of the period and the fair value at the beginning of the period, adjusted for contributions and payments of benefits.

## **Actuarial gains and losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
- b) the actuarial assumptions have changed.

## **Capital expenditure**

Expenditure on the acquisition of a non-current asset; or expenditure which adds to – rather than merely maintains – the value of an existing non-current asset.

## **Capital Receipt**

Income derived from the sale or disposal of a non-current asset.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **Contingent liability**

A contingent liability is either:

- a) a possible obligation arising from past events; it may be confirmed only if particular events happen in the future that are not wholly within the local authority's control; or
- b) a present obligation arising from past events, where economic transactions are unlikely to be involved or the amount of the obligation cannot be measured with sufficient reliability.

## **Current Service Costs**

The increase in pension liabilities as a result of years of service earned this year.

## **Defined benefit scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

## **Emoluments**

All sums paid to or receivable by an employee; sums due as expenses allowances (as far as these are subject to UK income tax); and the money value of any other benefits received other than in cash. An employee's pension contributions are deducted from emoluments.

## **Government grants**

Part of the cost of service is paid for by central government from its own tax income. Specific grants are paid by the Home Office to the PCC towards both revenue and capital expenditure.

## **Group**

The term Group refers to the Police and Crime Commissioner (PCC) for Suffolk and the Chief Constable (CC) for Suffolk.

**Impairment**

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

**Intangible non-current assets**

Intangible assets are non-financial non-current assets that do not have physical substance, but are identifiable and are controlled by the PCC through custody or legal rights.

**Net book value**

The amount at which non-current assets are included in the balance sheet, meaning their historical cost or current value less the cumulative amounts allowed for depreciation.

**Net realisable value**

The open-market value of the asset in its existing use (or open-market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-Current assets**

Tangible and intangible assets that yield benefits to the PCC and the services it provides for more than one year.

**Outturn**

The actual amount spent in the financial year.

**Operational assets**

Non-current assets held and occupied, used or consumed by the PCC in the direct delivery of services for which it has a statutory or discretionary responsibility.

**Past Service Costs**

The increase in pension liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years.

**PCC**

Reference to PCC within these Financial Statements relate to the entity of the Police and Crime Commissioner for Suffolk unless otherwise stated.

**Projected Unit Credit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**Precept**

The proportion of the budget raised from council tax.

**Provision**

Amount set aside to provide for a liability which is likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

**PWLB**

The Public Works Loan Board (**PWLB**) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.



**Related parties**

Two or more parties are related parties when at any time during the financial period:

- a) one party has direct or indirect control of the other party; or
- b) the parties are subject to common control from the same source; or
- c) one party has influence over the financial and operational policies of the other party so that the other party might not always feel free to pursue its own separate interests; or
- d) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

**Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Useful life**

The period over which the PCC will derive benefits from the use of a non-current asset.

**Vested Rights**

In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.